恒基兆業地產有限公司
HENDERSON LAND DEVELOPMENT COMPANY LIMITED
Stock Code: 12

Annual Report 2013

CREATING COMMUNITIES FOR SUSTAINABLE LIVING

With our enduring record of development excellence and community engagement, Henderson Land strives to achieve optimum economic, social and environmental performance. We remain equally committed to brightening the lifestyles of our customers with award-winning projects and to benefiting the well-being of the community around us with inspiring CSR initiatives.

Contents

Forward-Looking Statements

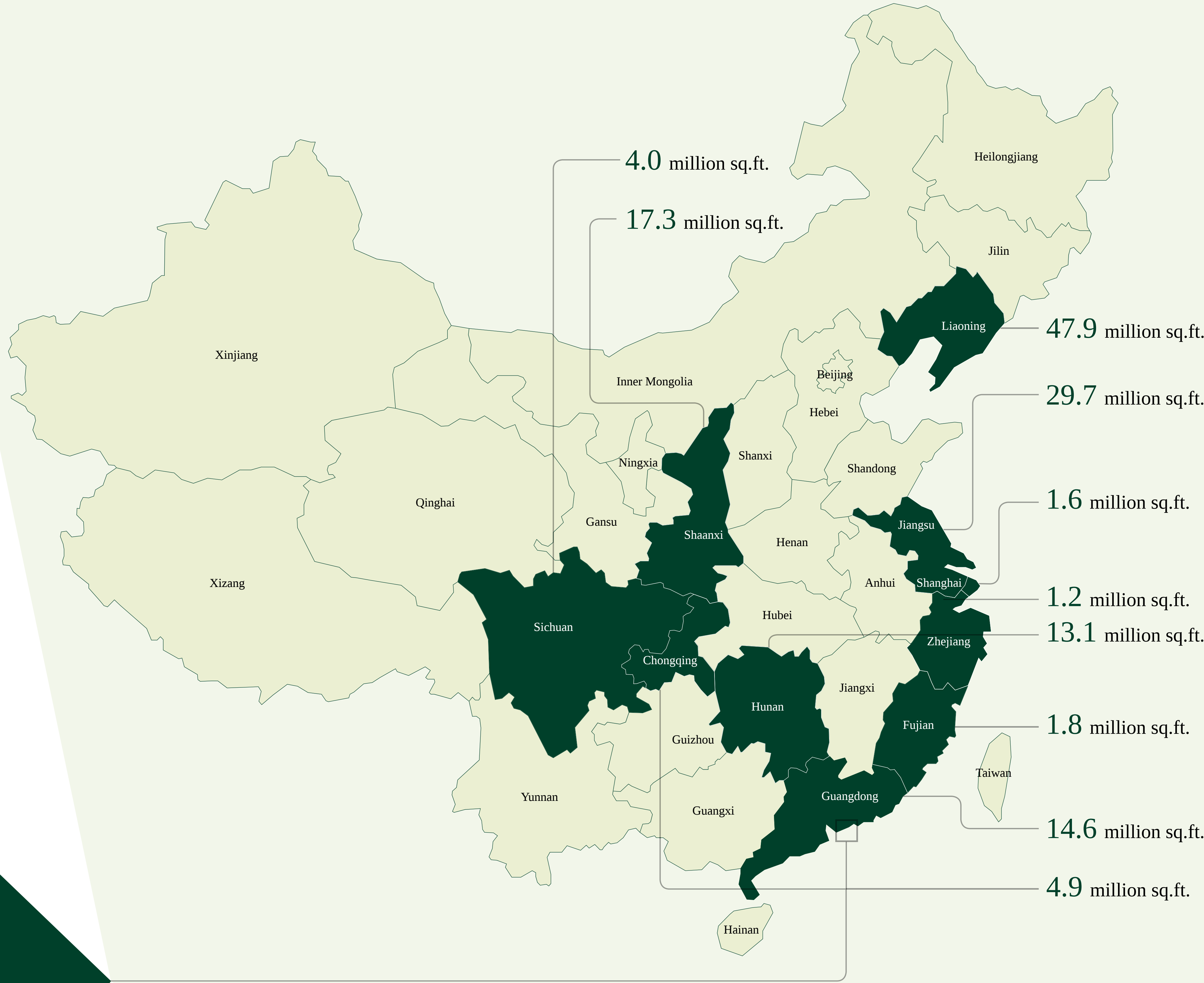
This annual report contains certain statements that are forward-looking or which use certain forward-looking terminologies. These forward-looking statements are based on the current beliefs, assumptions and expectations of the Board of Directors of the Company regarding the industry and markets in which it operates. These forward-looking statements are subject to risks, uncertainties and other factors beyond the Company's control which may cause actual results or performance to differ materially from those expressed or implied in such forward-looking statements.

CORPORATE PROFILE

Founded in 1976 by its Chairman, Dr The Honourable Lee Shau Kee, GBM, Henderson Land Development Company Limited is a leading property group with a focus on Hong Kong and mainland China. Its core businesses comprise property development and property investment. In addition, it has direct equity interests in a listed subsidiary, Henderson Investment Limited, and three listed associates, The Hong Kong and China Gas Company Limited (which in turn has equity stakes in a listed subsidiary, Towngas China Company Limited), Hong Kong Ferry (Holdings) Company Limited and Miramar Hotel and Investment Company, Limited.

Henderson Land has been listed in Hong Kong since 1981 where it is one of the largest property groups. As at 31 December 2013, Henderson Land had a market capitalization of HK$119 billion and the combined market capitalization of the Company, its listed subsidiary and associates was HK$32.3 billion.

The Company is vertically integrated, with project management, construction, property management, and financial services supporting its core businesses. In all aspects of its operations, Henderson Land strives to add value for its shareholders, customers and the community through its commitment to excellence in product quality and service delivery as well as a continuous focus on sustainability and the environment.



The diagram above provides an overview of the Group's substantial and diverse, yet balanced development land bank in Hong Kong and mainland China as at 31 December 2013. It illustrates the attributable developable gross floor area by location. Henderson Land's quality land reserve is earmarked for both commercial and residential projects, which are expected to provide handsome returns for the Group during the years to come.

Awards & Accolades

1. **HK-BEAM (New Buildings)**
HK-BEAM Society
Provisional Rating of Platium Standard (Double Cove Phase 2&3)

2. **Autodesk HK BIM Awards 2013**
Autodesk
Autodesk HK BIM Awards 2013 (High Park Grand)

3. **Leadership in Energy and Environmental Design (LEED)**
U.S. Green Building Council
Gold Rating (Two International Finance Centre)

4. **BEAM Plus (New Buildings)**
Hong Kong Green Building Council
Provisional Platinum Rating (2-12 Observatory Road)
Provisional Silver Rating (High Park & The Hemispheres)

5. **Asia Pacific Property and Hotel Awards**
International Property Awards
Best Mixed-use Architecture Hong Kong (Double Cove)
Best High-rise Architecture Hong Kong (The Gloucester)
Best Architecture Multiple Residence Hong Kong (High Park & High Park Grand)
Best Hotel Interior Hong Kong (Mira Moon)

6. **Hang Seng Corporate Sustainability Index Series**
Hang Seng Indexes Company Limited
Constituent Company (Henderson Land, Hong Kong & China Gas, Towngas China)

7. **BCI Asia Top 10 Awards 2013**
BCI Asia
Top 10 Developers Awards 2013

8. **The Excellence of Listed Enterprise Awards 2013**
CAPITAL WEEKLY

9. **2013 China Real Estate Value Report**
China Business News
TOP 20 Hong Kong Enterprises

10. **2013 Asia Brand Annual Meeting**
Asia Brand Association, Global Times and China Economic Herald
2013 Top 100 Brand in China

11. **Golden Bauhinia Awards**
Ta Kung Pao
Best Listed Company

12. **Caring Company 2012/13**
Hong Kong Council of Social Services
Henderson Land, Hong Kong & China Gas, Hong Kong Ferry, Miramar, Hang Yick, Well Born & Goodwill

13. **2013 Friends of Social Enterprise Award Scheme**
Home Affairs Department and Committee on Friends of Social Enterprise Award Scheme 2013
Outstanding Partner of Social Enterprise 2013 (Henderson Land)
Friend of Social Enterprise 2013 (The Hong Kong and China Gas Company Limited)

14. **HKCA Safety Award 2012**
Hong Kong Construction Association
HKCA Safety Merit Award 2012 (E Man & Heng Shung)

15. **2013 International ARC Awards**
MerComm, Inc.
Bronze Award (Chairman's Letter: Real Estate Development/Service: Various & Multi-Use)

16. **2013 Hong Kong Awards for Industries**
Hong Kong General Chamber of Commerce
Innovation and Creativity Grand Award (The Hong Kong and China Gas Company Limited)

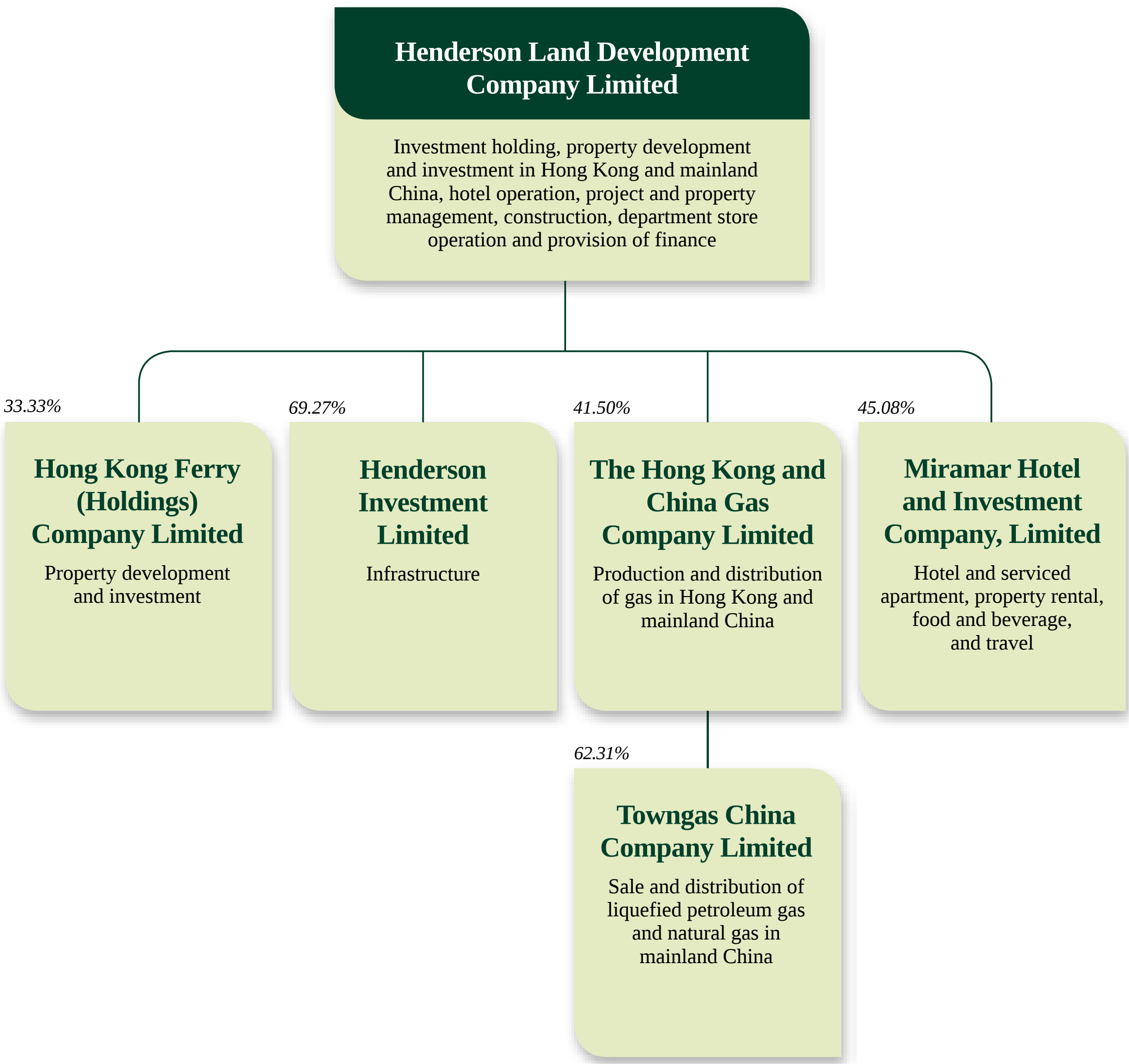
17. **2012/13 One Factory-One Year-One Environmental Project (1-1-1) Programme**
Federation of Hong Kong Industries and Hang Seng Bank
Hang Seng-Pearl River Delta Environmental Awards – Green Participant (The Hongkong & Yaumati Ferry Company Limited)
Hang Seng-Pearl River Delta Environmental Awards – 3 Years+ Entrant (The Hongkong & Yaumati Ferry Company Limited)
Hang Seng-Pearl River Delta Environmental Awards – Green Medalist (The Hong Kong Shipyard Limited)
Hang Seng-Pearl River Delta Environmental Awards – Silver Award (The Hong Kong and China Gas Company Limited)

18. **2012 Customer Relationship Excellence Awards**
Asia Pacific Customer Service Consortium
Corporate Environmental & Social Leadership of the Year 2012 (Property Management) (Hang Yik & Well Born)

19. **Excellence in Facility Management Award 2013**
The Hong Kong Institute of Facility Management Limited
Excellence in Facility Management Award 2013 (Retail) (Sunshine City Plaza & Miramar Shopping Centre)
Excellence in Facility Management Award 2013 (Office Building) – Certificate of Merit (AIA Tower)

Henderson Land Group Structure

Market capitalization as at 31 December 2013
Henderson Land Development Company Limited: HK$119 billion
Six listed companies of Henderson Land Group: HK$323 billion



Note: all percentage shareholdings shown above were figures as of 31 December 2013.

Highlights of 2013 Final Results

	Note	For the year ended 31 December 2013 HK$ million	2012 HK$ million		Change
Property sales					
– Revenue	*1*	**17,095**	8,942		+91%
– Profit contribution	*1*	**3,911**	2,291		+71%
Property leasing					
– Gross rental income	*2*	**7,307**	6,628		+10%
– Net rental income	*2*	**5,605**	4,898		+14%
Profit attributable to equity shareholders					
– Underlying profit	*3*	**8,938**	7,091	(restated)	+26%
– Reported profit		**15,948**	20,201	(restated)	-21%
		HK$	HK$		
Earnings per share					
– Based on underlying profit	*3,4*	**3.35**	2.70	(restated)	+24%
– Based on reported profit	*4*	**5.97**	7.70	(restated)	-22%
Dividends per share		**1.06**	1.06		No change
Allotment of bonus shares		**1 share for every 10 shares held**	1 share for every 10 shares held		No change
		At 31 December 2013	**At 31 December 2012**		**Change**
		HK$	HK$		
Net asset value per share	*4*	**82.77**	84.95	(restated)	-3%
Net debt to Shareholders' equity		**17.2%**	17.2%		No change

	Million Square feet
Properties in Hong Kong	
(attributable floor area)	
– Properties under development *(Note 5)*	**13.7**
– Major completed stock for sale	**0.8**
Sub-total:	**14.5**
– Completed properties (including hotels) for rental	**10.1**
Total:	**24.6**
(attributable land area)	
– New Territories land	**42.5**
Properties in Mainland China	
(attributable floor area)	
– Properties held for/under development	**136.1**
– Completed stock for sale	**1.2**
– Completed properties for rental	**6.6**
	143.9

Note 1: Representing the Group's attributable share of property sales revenue and their profit contribution (before taxation) in Hong Kong and mainland China by subsidiaries, associates and joint ventures ("JVs").

Note 2: Representing the Group's attributable share of gross rental income and net rental income (before taxation) from investment properties in Hong Kong and mainland China held by subsidiaries, associates and JVs.

Note 3: Excluding the fair value change (net of deferred tax) of the investment properties held by subsidiaries, associates and JVs.

Note 4: The earnings per share for the year ended 31 December 2012 were calculated based on the number of shares as adjusted for the effect of the bonus issue in July 2013 under Hong Kong Accounting Standard 33, "Earnings Per Share". The net asset values per share were calculated based on the number of issued shares outstanding at the respective balance sheet dates.

Note 5: Including the total developable area of about 4.8 million square feet from the projects in Fanling North/Kwu Tung and Wo Shang Wai, which are subject to finalization of land premium.

DOUBLE COVE, MA ON SHAN, HONG KONG

Chairman's Statement

Dear Shareholders

On behalf of your Board, I am pleased to present my report on the operations of the Group for the financial year ended 31 December 2013.

Profit and Net Asset Value Attributable to Shareholders

The Group's underlying profit attributable to equity shareholders (before the fair value change of investment properties) for the year ended 31 December 2013 amounted to HK$8,938 million, representing an increase of HK$1,847 million or 26% over HK$7,091 million (as restated) for the corresponding year ended 31 December 2012. Underlying earnings per share were HK$3.35 (2012: HK$2.70 as adjusted for the bonus issue in 2013).

Including the fair value change (net of non-controlling interests and deferred tax) of investment properties, the Group reported profit attributable to equity shareholders for the year ended 31 December 2013 was HK$15,948 million, representing a decrease of HK$4,253 million or 21% from HK$20,201 million (as restated) for the corresponding year ended 31 December 2012. Reported earnings per share were HK$5.97 (2012: HK$7.70 as adjusted for the bonus issue in 2013).

At 31 December 2013, the net asset value attributable to equity shareholders amounted to HK$223,402 million, 9% higher than the amount of HK$205,163 million (as restated) at 31 December 2012. Net debt (including the amount of HK$5,474 million (2012: HK$6,125 million) due to a wholly owned subsidiary of Henderson Development Limited which is controlled by the private family trusts of Dr Lee Shau Kee) amounted to HK$38,344 million (2012: HK$35,205 million) giving rise to a gearing ratio of 17.2% (2012: 17.2%).

Dividends

Your Board recommends the payment of a final dividend of HK$0.74 per share to shareholders whose names appear on the Register of Members of the Company on Tuesday, 17 June 2014, and such final dividend will not be subject to any withholding tax in Hong Kong. Including the interim dividend of HK$0.32 per share already paid, the total dividends for the year ended 31 December 2013 will amount to HK$1.06 per share (2012: HK$1.06 per share).

The proposed final dividend will be payable in cash, with an option granted to shareholders to receive new and fully paid shares in lieu of cash under the scrip dividend scheme ("Scrip Dividend Scheme"). The new shares will, on issue, not be entitled to the proposed final dividend and bonus shares, but will rank pari passu in all other respects with the existing shares. The circular containing details of the Scrip Dividend Scheme and election form will be sent to shareholders.

The Scrip Dividend Scheme is conditional upon the passing of the resolution relating to the payment of the final dividend at the forthcoming annual general meeting of the Company and the Listing Committee of The Stock Exchange of Hong Kong Limited granting the listing of and permission to deal in the new shares to be issued under the Scrip Dividend Scheme.

The final dividend will be distributed, and the share certificates to be issued under the Scrip Dividend Scheme will be sent to shareholders on Friday, 18 July 2014.

Issue of Bonus Shares

The Board proposes to make a bonus issue of one new share for every ten shares held (2012: one bonus share for every ten shares held) to shareholders whose names appear on the Register of Members on Tuesday, 17 June 2014. The relevant resolution will be proposed at the forthcoming annual general meeting, and if passed and upon the Listing Committee of The Stock Exchange of Hong Kong Limited granting the listing of and permission to deal in such new shares, share certificates of the bonus shares will be posted on Friday, 18 July 2014.

Business Review

The Group's underlying profit attributable to equity shareholders for the year ended 31 December 2013 was up by 26% to HK$8,938 million. Revenue from property sales, including the attributable share of contribution from subsidiaries, associates and joint

Dr The Honourable Lee Shau Kee, GBM
Chairman and Managing Director

ventures, increased markedly by 91% to HK$17,095 million. Pre-tax net rental income, including the attributable share of contribution from subsidiaries, associates and joint ventures, increased by 14% to HK$5,605 million. At the end of 2013, the net asset value attributable to equity shareholders amounted to HK$223,402 million, translating into a net asset value per share of HK$82.77. It represented a trading discount of close to 47% when compared with closing market price of HK$44.25 per share on that day.

Hong Kong

In February 2013, the Government announced the implementation of double stamp duty measures. When the "Residential Properties (First-hand Sales) Ordinance" came into effect in April, most developers deferred their sales launches so as to adapt to the new provisions. The resulting fall in both demand and supply has led to a significant decrease in first-hand residential sales. The Group took the lead to prepare appropriate sales brochures and meet the new transparency requirements, enabling it to maintain the sale of properties seamlessly. Consequently, up to the end of last year, the Group was the developer that had the most first-hand project launches in Hong Kong since the implementation of the new Ordinance. The Group was also one of the developers with the highest property sales in Hong Kong for the year under review.

Property Sale

During the year under review, the Group launched an array of residential developments for pre-sale including "High Place" at Kowloon City, "High Point" at Cheung Sha Wan, "High Park" at Boundary Street and "The Hemispheres" at North Point, as well as "Green Code" at Fanling which is developed by the Group's associate – Hong Kong Ferry (Holdings) Company Limited. All these developments have sold well, which demonstrates that the Group's small- to medium-sized units of superior quality are highly sought after by the local end-users. For instance, "Green Code" at Fanling was launched in March 2013 with nearly 95% of its total 728 residential units pre-sold by the end of the year. Together with other popular developments such as "The Reach" in Yuen Long, "Double Cove" – Phase 1 in Ma On Shan, "39 Conduit Road" at Mid-Levels and "Hill Paramount" in Shatin, the Group sold an attributable total of HK$7,389 million worth of Hong Kong residences for the year ended 31 December 2013.

The Group was also actively marketing its office and industrial developments, which are not affected by the "Residential Properties (First-hand Sales) Ordinance". "Global Trade Square" at Wong Chuk Hang, launched in April 2013, was almost sold out by the end of the year. To follow, "Global Gateway Tower" at 63 Wing Hong Street, Cheung Sha Wan, was put up for sale in December 2013. The entire 110,000-square-foot development of "Kowloon Building" was disposed of during the year. Proceeds arising from these disposals of commercial developments and investment properties totalled HK$3,107 million. Including the aforesaid residential sales revenue, the Group sold an attributable total of HK$10,496 million worth of properties for the year under review.

The Reach, Yuen Long, Hong Kong

Following the end of this financial year, the Group released "Double Cove Starview" (Double Cove – Phase 2) for pre-sale. For the first four batches of residential units launched, over 92% of their total 823 units was sold in just two weeks. Together with the sales of other projects, the total attributable contracted sales in Hong Kong for the first two months of 2014 exceeded HK$3,600 million.

In the coming years, various categories of development projects (with the exception of a few earmarked for rental purposes) will provide the following areas for sale:

(1) Unsold units from the major development projects offered for sale

There are 16 development projects available for sale:

						At 31 December 2013	
	Project name and location	Site area (sq.ft.)	Gross floor area (sq.ft.)	Land-use purpose	Group's interest (%)	No.of residential units remaining unsold	Approximate saleable area remaining unsold (sq.ft.)
1.	Double Cove – Phase 1 8 Wu Kai Sha Road, Ma On Shan	467,959	784,464	Commercial/ Residential	59.00	213	200,000
2.	The Reach 11 Shap Pat Heung Road Yuen Long	371,358	1,299,744	Residential	79.03	630	385,000
3.	Green Code 1 Ma Sik Road, Fanling	95,800	538,723	Commercial/ Residential	33.33	37	27,000
4.	High Park 51 Boundary Street	5,880	52,919	Commercial/ Residential	100.00	49	30,000
5.	High Point 188 Tai Po Road Cheung Sha Wan	8,324	70,340	Commercial/ Residential	100.00	98	41,000
6.	High Place 33 Carpenter Road Kowloon City	3,582	31,638	Commercial/ Residential	100.00	22	7,000
7.	The Hemispheres, 3 Gordon Road, North Point	7,386	61,602	Commercial/ Residential	100.00	68	30,000
8.	The Gloucester 212 Gloucester Road Wanchai	11,545	113,977	Residential	100.00	9	12,000
9.	High West 36 Clarence Terrace Sai Ying Pun	7,310	58,471	Residential	100.00	17	8,000
10.	39 Conduit Road Mid-Levels	56,748	229,255	Residential	60.00	31 *(Note 1)*	80,000 *(Note 1)*
11.	The Beverly Hills – Phases 1-3 23 Sam Mun Tsai Road Tai Po	982,376	1,165,240	Residential	90.10	3	18,000

Project name and location	Site area (sq.ft.)	Gross floor area (sq.ft.)	Land-use purpose	Group's interest (%)	At 31 December 2013 No.of residential units remaining unsold	At 31 December 2013 Approximate saleable area remaining unsold (sq.ft.)
12. Hill Paramount 18 Hin Tai Street Shatin	95,175	358,048	Residential	100.00	6	17,000
13. Green Lodge Tong Yan San Tsuen Yuen Long	78,781	78,781	Residential	100.00	6	13,000
14. E-Trade Plaza 24 Lee Chung Street Chai Wan	11,590	173,850	Office	100.00	Not applicable	85,000 *(Note 2)*
15. Global Trade Square 21 Wong Chuk Hang Road	14,298	214,467	Office	50.00	Not applicable	10,000 *(Note 2)*
16. Global Gateway Tower (21/F, 22/F and 26/F) 63 Wing Hong Street Cheung Sha Wan	28,004 *(Note 3)*	335,968 *(Note 3)*	Industrial	100.00	Not applicable	28,000 *(Note 2)*
				Sub-total:	**1,189**	**991,000**
				Area attributable to the Group:		**771,000**

Note 1: In addition, there are 16 residential units held for investment purpose.

Note 2: Representing the commercial or industrial area.

Note 3: Representing the total site area and the total gross floor area for the whole project.

(2) Projects pending sale in 2014

In the absence of unforeseen delays, the following projects will be available for sale in 2014:

	Project name and location	Site area (sq.ft.)	Gross floor area (sq.ft.)	Land-use purpose	Group's interest (%)	No. of residential units	Gross floor area (sq.ft.)
1.	Double Cove Starview (Double Cove – Phase 2) 8 Wu Kai Sha Road, Ma On Shan	65,983	638,628	Residential	59.00	865	573,294 *(Note 1)*
2.	Double Cove – Phase 3 *(Note 2)* 8 Wu Kai Sha Road, Ma On Shan	228,285	816,817	Commercial/ Residential	59.00	1,092	807,688
3.	High Park Grand 68 Boundary Street	6,750	60,750	Commercial/ Residential	100.00	41	50,625
4.	186-198 Fuk Wing Street Sham Shui Po	7,350	63,034	Commercial/ Residential	100.00	110	53,960
5.	565-577 Fuk Wah Street Cheung Sha Wan	7,560	63,786	Commercial/ Residential	100.00	187	56,698
6.	121 Bulkeley Street Hung Hom *(Note 2)*	6,268	55,552	Commercial/ Residential	33.33	95	46,946
7.	1-11 Lai Yin Street and 2-12 Jones Street, Tai Hang	6,529	65,256	Residential	70.00	119	65,256
8.	62-76 Ap Lei Chau Main Street Southern District	7,953	65,764	Commercial/ Residential	100.00	106	61,179
9.	Global Gateway Tower (Remaining floors not yet put up for sale) 63 Wing Hong Street Cheung Sha Wan	28,004 *(Note 3)*	335,968 *(Note 3)*	Industrial	100.00	Not applicable	297,245 *(Note 4)*
					Sub-total:	**2,615**	**2,012,891**
					Area attributable to the Group:		**1,395,812**

Note 1: It was launched for sales in January 2014 and this represented the residential saleable area required to be stated under the "Residential Properties (First-hand Sales) Ordinance".

Note 2: Pending the issue of pre-sale consent.

Note 3: Representing the total site area and the total gross floor area for the whole project.

Note 4: Excluding the gross floor area of three storeys which were launched for sales as shown in above table (1).

(3) Remaining phases of Double Cove

In the absence of unforeseen delays, they are expected to be available for sale in 2015:

	Project name and location	Site area (sq.ft.)	Gross floor area (sq.ft.)	Land-use purpose	Group's interest (%)	No. of residential units	Residential gross floor area (sq.ft.)
1.	Double Cove – Phase 4 8 Wu Kai Sha Road, Ma On Shan	194,532	383,306	Residential	59.00	474	383,306
2.	Double Cove – Phase 5 8 Wu Kai Sha Road, Ma On Shan	85,638	327,445	Residential	59.00	178	327,445
					Sub-total:	**652**	**710,751**
					Area attributable to the Group:		**419,343**

(4) Existing Urban Redevelopment Projects

The Group had a total of 5 existing projects under planning for redevelopment or land-use conversion and the dates of their sales launch are not yet fixed. As outlined below, they are expected to provide about 1.28 million square feet in attributable gross floor area in the urban areas based on the Government's latest city planning:

	Project name and location	Site area (sq.ft.)	Expected gross floor area upon redevelopment (sq.ft.)	Group's interest (%)	Expected attributable gross floor area upon redevelopment (sq.ft.)
1.	45-47 Pottinger Street and Ezra's Lane, Central Hong Kong *(Note 1)*	9,067	135,995	19.10	25,968
2.	29 Lugard Road The Peak, Hong Kong	23,649	11,824	100.00	11,824
3.	8 Wang Kwong Road Kowloon Bay, Kowloon *(Notes 1 and 2)*	21,528	173,491	100.00	173,491
4.	14-30 King Wah Road North Point, Hong Kong *(Notes 1 and 3)*	52,689	329,755	100.00	329,755
5.	Yau Tong Bay Kowloon *(Note 4)*	822,380	4,022,465	18.44	741,742
	Total:	**929,313**	**4,673,530**		**1,282,780**

Note 1: Investment property.

Note 2: The existing industrial building (i.e. Big Star Centre) at this site is planned to be reconfigured for commercial use, free of payment of any fee for the land-use conversion under the Government's revitalization policy. However, such plan is still subject to the Government's approval.

Note 3: With the approval from the Town Planning Board to be redeveloped into an office tower, it is now subject to the finalization of land premium with the Government.

Note 4: Outline zoning plan was approved on 8 February 2013 by Metro Planning Committee of the Town Planning Board and it is still pending finalization of land premium with the Government.

(5) Newly-acquired Urban Redevelopment Projects – Ownership Fully Consolidated

There are 14 newly-acquired urban redevelopment projects with ownership fully consolidated and in the absence of unforeseen delays, most of these projects are expected to be available for sale in 2015-2016. Their expected attributable gross floor areas, based on the Government's latest city planning, are as follows:

	Project name and location		Site area (sq.ft.)	Expected attributable gross floor area upon redevelopment (sq.ft.)
	Hong Kong			
1.	19-35 Shing On Street and 15 Tai Shek Street, Sai Wan Ho		7,513	79,574 *(Note 1)*
2.	23-25 Robinson Road, Mid-Levels (25.07% stake held by the Group)		31,380	39,334 *(Note 2)*
3.	208-210 Johnston Road, Wanchai		1,939	29,085 *(Note 2)*
4.	307-329 Des Voeux Road West, Western District (20% stake held by the Group)		10,034	20,871
		Sub-total:	**50,866**	**168,864**
	Kowloon			
5.	11-33 Li Tak Street, Tai Kok Tsui		19,600	165,340 *(Note 1)*
6.	2-12 Observatory Road, Tsim Sha Tsui (50% stake held by the Group)		13,764	82,533 *(Note 2)*
7.	38-40A Hillwood Road, Tsim Sha Tsui		4,586	55,018 *(Note 2)*
8.	50-56 and 58-64 Ma Tau Kok Road and 162-168 Pau Chung Street, To Kwa Wan		11,404	101,791
9.	1-15 Berwick Street, Shek Kip Mei		9,788	78,304
10.	342-348 Un Chau Street, Cheung Sha Wan		4,579	38,922
11.	352-354 Un Chau Street, Cheung Sha Wan		2,289	19,457
12.	11-19 Wing Lung Street, Cheung Sha Wan		6,510	58,547 *(Note 1)*
13.	7-7G Victory Avenue, Homantin		9,865	83,853 *(Note 1)*
14.	196-202 Ma Tau Wai Road, To Kwa Wan		4,905	41,400 *(Note 1)*
		Sub-total:	**87,290**	**725,165**
		Total:	**138,156**	**894,029**

Note 1: Expected to be available for sale in 2015.

Note 2: To be held for rental purposes upon completion of development.

(6) Newly-acquired Urban Redevelopment Projects – with over 80% ownership secured

There are 17 newly-acquired urban redevelopment projects with over 80% ownership acquired and their ownership will be consolidated by proceeding to the court for compulsory sale under the "Land (Compulsory Sale for Redevelopment) Ordinance". In the event that no court order is granted, the Group may not be able to complete the consolidation of the ownership for development. If legal procedures go smoothly and in the absence of unforeseen delays, most of the projects set out below are expected to be available for sale in 2015-2017. On the basis of the Government's latest city planning, the expected gross floor areas are shown as follows:

	Project name and location	Site area (sq.ft.)	Expected attributable gross floor area upon redevelopment (sq.ft.)
	Hong Kong		
1.	450-456G Queen's Road West, Western District	28,371	275,998
2.	85-95 Shek Pai Wan Road, Aberdeen	4,950	42,075
3.	4-6 Tin Wan Street, Aberdeen	1,740	14,790
4.	12-18 Tin Wan Street, Aberdeen	4,148	39,406
5.	9-13 Sun Chun Street, Tai Hang	2,019	18,171
6.	21-39 Mansion Street and 852-858 King's Road, North Point	17,720	168,640
7.	4A-4P Seymour Road, Mid-Levels (65% stake held by the Group)	52,466	306,920
	Sub-total:	**111,414**	**866,000**
	Kowloon		
8.	57-69 Ma Tau Wai Road, 2-20 Bailey Street and 18A-30 Sung Chi Street, To Kwa Wan	23,031	207,929
9.	2A-2F Tak Shing Street, Jordan	10,614	84,912
10.	456-466 Sai Yeung Choi Street North and 50-56 Wong Chuk Street, Sham Shui Po	22,965	206,685
11.	1-19 Nam Cheong Street, Sham Shui Po	8,625	77,625
12.	79-83 Fuk Lo Tsun Road, Kowloon City	3,630	30,855
13.	25-29 Kok Cheung Street, Tai Kok Tsui	22,885	205,965
14.	8-30A Ka Shin Street, Tai Kok Tsui	19,738	176,211
15.	35-47 Li Tak Street, 2-16 Kok Cheung Street and 32-44 Fuk Chak Street, Tai Kok Tsui	20,114	175,677
16.	21-27 Berwick Street and 212-220 Nam Cheong Street, Shek Kip Mei	10,538	84,304
17.	3-8 Yiu Tung Street, Shek Kip Mei	6,825	54,600
	Sub-total:	**148,965**	**1,304,763**
	Total for 17 projects with over 80% ownership:	**260,379**	**2,170,763**

(7) Newly-acquired Urban Redevelopment Projects – with over 20% but less than 80% ownership secured

The Group has other acquisitions in progress, involving 41 projects located in prime urban areas in Hong Kong and Kowloon. Currently, ownership of each project ranging between 20% to 80% has been achieved. The attributable land area of these projects totals about 420,000 sq.ft.. If and when their ownerships are successfully consolidated, based on the Government's latest city planning, the total estimated attributable gross floor area would be about 3,800,000 sq.ft. upon completion of redevelopment. Based on the respective ownership currently secured for each project, the total pro-rata attributable gross floor area is about 1,800,000 sq.ft..

Successful acquisitions for the above projects bear uncertainty. The Group may not be able to consolidate ownerships of all projects. Redevelopments can only be implemented upon acquisition of the full ownership of the relevant projects.

Properties Under Development and Completed Stock

	No. of projects	Attributable saleable/ redevelopment gross floor area (million sq.ft.) *(Note 1)*	Note
(A) All of the above different categories of developments are summarised as follows:			
1. Major development projects offered for sale with units unsold	16	0.8	
2. Projects pending sale in 2014	9	1.4	
Sub-total:		**2.2**	Available for sale in 2014
3. Remaining phases of Double Cove	2	0.4	Expected to be available for sale in 2015
4. Existing Urban Redevelopment Projects	5	1.3	Date of sales launch not yet fixed and two of them are pending finalization of land premium with the Government
5. Newly-acquired Urban Redevelopment Projects – Ownership Fully Consolidated	14	0.9	Most of them are expected to be available for sale in 2015-2016
6. Newly-acquired Urban Redevelopment Projects – with over 80% ownership secured	17	2.2	Most of them are expected to be available for sale in 2015-2017
7. Newly-acquired Urban Redevelopment Projects – with over 20% but less than 80% ownership secured	41	1.8	Redevelopments of these projects are subject to consolidation of their ownership
Total for the above Categories (1) to (7) development projects:		**8.8**	
(B) Major development projects in New Territories:			
– Fanling North/Kwu Tung		3.9	*(Note 2)*
– Wo Shang Wai		0.9	*(Note 2)*
– Lot No. 2640 in DD No. 92 Castle Peak Road – Kwu Tung Sheung Shui, New Territories		0.5	
– Others		0.4	
Sub-total:		**5.7**	
Total for Items (A) and (B):		**14.5**	

Note 1: Gross floor area is calculated on the basis of the Government's latest city planning parameters as well as the Company's development plans. For certain projects, it may be subject to change depending on the actual needs in future.

Note 2: Developable area is subject to finalization of land premium.

Land Bank

In November 2013, the Group acquired a residential site with breathtaking views of the surrounding Fanling golf courses through public tender at the consideration of HK$2,888 million. Details are shown in the table below:

Location	Site area (sq.ft.)	Land-use purpose	Group's interest (%)	Estimated attributable gross floor area (sq.ft.)
Lot No. 2640 in DD No. 92 Castle Peak Road – Kwu Tung Sheung Shui, New Territories	154,280	Residential	100.00	555,000

The Group currently has a land bank in Hong Kong with a total attributable gross floor area of approximately 24.6 million square feet, made up as follows:

		Attributable gross floor area (million sq.ft.)
Properties under development *(Note)*		13.7
Major completed stock for sale		0.8
	Sub-total:	**14.5**
Completed properties (including hotels) for rental		10.1
	Total:	**24.6**

Note: Including the total developable area of about 4.8 million square feet from the projects in Fanling North/Kwu Tung and Wo Shang Wai, which are subject to finalization of land premium.

Land in Urban Areas

As aforesaid, 31 urban redevelopment projects of old tenement buildings with entire or over 80% ownership are available for sale or leasing in 2015 or beyond. They are expected to provide a total attributable gross floor area of about 3.1 million square feet. The total land cost is estimated at about HK$17,300 million (inclusive of the pricey street shops and the joint venture project at the prestigious Seymour Road in Mid-Levels), translating into a land cost of approximately HK$5,600 per square foot of gross floor area.

During the year under review, the Group completed the acquisition of the entire interests in the projects at Hillwood Road in Tsim Sha Tsui, Ma Tau Kok Road/Pau Chung Street in To Kwa Wan, Victory Avenue in Homantin, as well as Des Voeux Road West in Western District (in which the Group has a 20% stake). The sites for the projects at Sai Yeung Choi Street North in Sham Shui Po and Yiu Tung Street in Shek Kip Mei were both enlarged following the completion of the acquisition of the adjacent buildings. Whereas, over 80% ownership of the projects at Kok Cheung Street in Tai Kok Tsui, Li Tak Street/Kok Cheung Street in Tai Kok Tsui, as well as Seymour Road in Mid-Levels (in which the Group has a 65% stake), was all secured, enabling the Group to proceed to the court for compulsory sale in the near future.

For the Group's 50%-owned project at Observatory Road, Tsim Sha Tsui, the Group reached an agreement with the Government to modify its land lease in relation to the relaxation of the development plot ratio and height restriction. The modification is subject to a payment of land premium of about HK$133.7 million.

New Territories land

At 31 December 2013, the Group held New Territories land reserves amounting to approximately 42.5 million square feet in land area, which was the largest holding among all property developers in Hong Kong.

In July 2013, the Government announced the result of the "North East New Territories New Development Areas Planning and Engineering Study", of which Kwu Tung North and Fanling North would be treated as the extension of Fanling/Sheung Shui New Town. The Government has also decided to adopt an enhanced Conventional New Town Approach and, subject to specified criteria, private land owners are allowed to apply for in-situ land exchange for private developments. Outline Zoning Plans for both Kwu Tung North and Fanling North were already published in the Gazette in December 2013. Of the Group's land holding of 2.8 million square feet in these areas, a total land area of roughly over 800,000 square feet is assessed to be eligible for in-situ land exchange and the Government may resume the other parts of its lands for public use through cash compensation. The Group has applied for in-situ land exchange for two land lots in Fanling North and Kwu Tung. They are expected to provide a total developable gross floor area of approximately 3,620,000 square feet and 270,000 square feet respectively, against their respective site area of 768,000 square feet and 45,000 square feet. Developable areas for both sites are subject to finalization of land premium.

According to the above "North East New Territories New Development Areas Planning and Engineering Study", the region at Ping Che/Ta Kwu Ling will be re-planned, in response to the "2013 Policy Address" which put forward an initiative to review the development potential of New Territories North, including new opportunities brought about by the new railway infrastructure. In January 2014, the Government commenced its "Preliminary Feasibility Study on Developing the New Territories North" and the Study Area was about 5,300 hectares. The Group holds certain pieces of land in that Study Area.

For "Hung Shui Kiu New Development Area Planning and Engineering Study", Stage 3 Community Engagement is expected to be launched in mid-2014 so as to allow the public to discuss the Recommended Outline Development Plan. The Group holds a total site area of 5.5 million square feet in Hung Shui Kiu New Development Area, which covers an area of approximately 826 hectares. Under the Preliminary Outline Development Plan, it was proposed to accommodate a new town of a population of about 218,000 and about 60,000 additional flats, of which about 50% are private developments. The Government is now gauging the public views and has expressed no view on the issues of land resumption or in-situ land exchange in that region. Impacts to the Group arising from these proposals are yet to be seen. The Group will continue to work in line with the Government's development policies and follow up closely with its development plans.

On 15 November 2013, the Group entered into an agreement with Pok Oi Hospital to donate a land lot of about 100,000 square feet in Lam Tei, Tuen Mun for the development in phases into homes for the aged together with the supporting facilities. Chairman Lee would donate to the Group an amount of HK$107 million, being the value of the land as assessed by an independent valuer.

Investment Properties

At 31 December 2013, the Group held a total attributable gross floor area of approximately 9.1 million square feet of completed investment properties in Hong Kong, comprising 4.5 million square feet of shopping arcade or retail space, 3.3 million square feet of office space, 0.9 million square feet of industrial/office space and 0.4 million square feet of residential and apartment space. This rental portfolio is geographically diverse, with 25% in Hong Kong Island, 33% in Kowloon and the remaining 42% in the New Territories (with most of the latter being large-scale shopping malls in new towns). At the end of December 2013, the leasing rate for the Group's core rental properties was 96%. Besides, there were more than 9,000 car parking bays, providing additional rental income to the Group.

During the year under review, the Group's attributable gross rental income in Hong Kong, including the attributable contribution from subsidiaries, associates and joint ventures, was up by 10% to HK$6,004 million. The attributable pre-tax net rental income, including the attributable contribution from subsidiaries, associates and joint ventures, was HK$4,534 million, representing growth of 12% over the previous year. Included therein is attributable gross rental income of HK$1,711 million (2012: HK$1,591 million) contributed from the Group's attributable interest of 40.76% (2012: 40.51%) in The International Finance Centre ("ifc") project.

Underpinned by strong consumption sentiment and increasing inbound tourism, total retail sales of Hong Kong (both in terms of value and volume) increased by about 11% for the whole year of 2013. The Group thus undertook targeted marketing activities, including organising shopping tours for mainlanders and wider adoption of multi-media promotional channels, to attract more customers to its shopping malls and boost tenants' business. At the end of 2013, all of the Group's major shopping malls, except those under renovation or re-alignment of tenant mix, recorded nearly full occupancy. There was significant increase in rents for most of the retail shops following rental reversion. Renovation is in progress to further enhance the competitiveness of the Group's various regional shopping malls (such as Sunshine City Plaza in Ma On Shan, Metro City Plaza II in Tseung Kwan O, Citimall in Yuen Long and City Landmark I in Tsuen Wan) which have broad customer bases and offer easy access to MTR stations.

The office leasing market remained steady amid a stabilizing global economy. The Group's office developments in the core areas, such as ifc in Central, AIA Tower in North Point, as well as Golden Centre and FWD Financial Centre in Sheung Wan, have all performed well. The Group's approximately 2,000,000-square-foot portfolio of office and industrial/office premises in Kowloon East, including Manulife Financial Centre and AIA Financial Centre, also recorded positive rental revisions and higher rents for new leases. To further improve their rental values and appeal to discerning tenants, the Group regularly enhances the green features and upgrades the quality of its office developments. Extensive facility upgrades for AIA Tower in North Point commenced in the last quarter of 2013, whilst renovation for both Golden Centre and FWD Financial Centre in Sheung Wan are planned to commence in 2014.

Metro City Phase II, Tseung Kwan O, Hong Kong

ifc complex, Central, Hong Kong

The leasing performance of the Group's luxury residences, namely Eva Court and 39 Conduit Road, as well as the serviced suites at Four Seasons Place was satisfactory. A 66,000-square-foot hotel development at 388 Jaffe Road, Wanchai, which was opened in November 2013 and is being operated by Miramar Hotel and Investment Company, Limited under the name of "Mira Moon", offers 91 stylish guest rooms.

The Group has a 20% attributable interest in a joint venture that owns the Citygate project in Tung Chung. Capitalizing on the opportunities arising from the growing inbound tourism, the joint venture won the bid for a commercial land lot adjacent to Citygate at a consideration of about HK$2,328 million in March 2013. An iconic 540,000-square-foot commercial complex will be built to integrate with Citygate, creating a mixed development of over one million square feet in close proximity to Hong Kong International Airport.

AIA Tower, North Point, Hong Kong

Four Seasons Hotel Hong Kong, Central, Hong Kong

Hotel and Retailing Operations

During the year under review, visitor arrivals to Hong Kong reached a record high of over 54 million, of which overnight visitor arrivals increased by 8.0% to about 26 million. As the city's hospitality leader, The Four Seasons Hotel Hong Kong recorded increases in both occupancy rate and average room rate. The hotel was again given a five-star rating by the Forbes Travel Guide and its Lung King Heen restaurant again received a top three-star rating in the Michelin Guide to Hong Kong and Macau 2014. The Group's three Newton hotels (including the 362-room Newton Hotel Hong Kong, the 317-room Newton Inn North Point and the 598-room Newton Place Hotel) recorded a lower occupancy rate, albeit maintaining a steady average room rate, mainly due to intense competition from newly-built hotels in the economy hotel sector. For the year ended 31 December 2013, the Group's profit from hotel operations, including the attributable contribution from its subsidiaries, associates and joint ventures, decreased by 14% to HK$248 million.

Established in 1989, Citistore has six department store outlets, and a "id:c" specialty store which introduces a collection of fashion brands from Japan. During the year under review, Citistore's turnover and profit contribution increased by 7% to HK$399 million and 18% to HK$79 million, respectively.

Construction and Property Management

In order to improve the cityscape and to provide better and safer living conditions for the community, the Group has been active in acquiring old tenement buildings for urban redevelopment purposes. As most of these projects are located in populous districts, in order to expedite the construction process and minimise disruption to the neighbourhoods, leading features recommended by the Leadership in Energy and Environmental Design (LEED) and BEAM Plus have been adopted. For instance, in addition to the self-developed pre-fabricated building components, the Group also procured advanced facilities to conduct foundation piling works for its development projects. Against the prevailing increase in material costs and a shortage of construction workers, the above measures can help raise quality and cost efficiency by reducing construction waste and manpower.

Global Trade Square, Wong Chuk Hang, Hong Kong

The following main development projects in Hong Kong were completed during the year under review:

	Project name and location	Site area (sq.ft.)	Gross floor area (sq.ft.)	Land-use purpose	Group's interest (%)	Attributable gross floor area (sq.ft.)
1.	Double Cove (Phase 1) 8 Wu Kai Sha Road Ma On Shan	467,959	784,464	Commercial/ Residential	59.00	462,834
2.	The Reach 11 Shap Pat Heung Road Yuen Long	371,358	1,299,744	Residential	79.03	1,027,188
3.	Global Trade Square 21 Wong Chuk Hang Road	14,298	214,467	Office	50.00	107,234
					Total:	**1,597,256**

In mainland China, the Group's Construction Department takes charge of the key process of selecting main contractors and sub contractors, material sourcing and work tendering. They also closely monitor every project's cost effectiveness, work quality, construction safety and progress to ensure the same standard of excellence regarding building quality is achieved.

The Group's property management companies, namely, Hang Yick Properties Management Limited, Well Born Real Estate Management Limited and Goodwill Management Limited, collectively manage over 80,000 apartments and industrial/ commercial units, 8 million square feet of shopping and office space, as well as 20,000 car parking units in Hong Kong and mainland China.

To complement the Group's recent promotion of the urban redevelopment boutique residences under "The H Collection", these property management companies will provide unparalleled one-stop home services to the residents enabling them to enjoy hassle-free urban living. Their commitment to service excellence has also been extended to the Group's projects in mainland China. Both "Hengbao Huating" and "Hengli Wanpan Huayuan" in Guangzhou received the accolades of "Excellent Property Management Community Showcase", "Guangdong Province Enterprise of Observing Contract and Valuing Credit", and "Leading Enterprise for Property Management Services in Liwan District 2013".

Both the Construction and Property Management Teams are in the forefront of servicing the community and giving back to society, as the Group has long pledged. Apart from proactively promoting site safety within the industry, the Group's Construction Team was also an active supporter of the Construction Charity Fund, which provides immediate assistance to victims of tragic industrial accidents. Following the success of the preceding "Year of Care", the Property Management Teams launched "The Year of Senior" so as to raise public awareness of caring about the elderly. Their volunteer team, after winning the "Highest Voluntary Service Hour Award" championship for eight consecutive years, was recently selected by the Agency for Volunteer Service as the only winner for the fifth "Hong Kong Volunteer Award – Corporate Award". Their unflagging efforts will be elaborated on in the "Sustainability and CSR" section of the Annual Report.

Mainland China

In 2013, the mainland property market showed an overall improvement in sentiment. Although mainland China experienced a slow-down in economic growth in the first half of the year, an incessant end-user housing demand emerged, resulting from favourable government policies that encourage first time home ownership. The expectation of rising property prices also led to the continuous demand for housing with better quality. The macro economy of mainland China showed a steady rebound from August 2013. At the same time, there was a shift in government policy from administrative measures to market driven adjustment. Local governments were also allowed the flexibility to devise measures commensurate with the particular market conditions. Therefore, the overall property market remained buoyant and bidding was brisk at land auctions.

During the year, much effort was made towards reorganisation, enhancing efficiencies and integrating resources for the Group's development projects in mainland China. Particular attention was paid to standardization of design layout and building materials, to expedite the development process and reduce development costs, which in turn raise the Group's competitiveness and profit margin.

As a result of localisation, the task of marketing on the mainland is now conducted by the local management teams. In re-positioning our products, widely acclaimed features of the best selling projects are adopted and optimised. This will form the basis of our strategy for the later phases of our developments and future land acquisitions.

The following development projects were completed during the year under review:

	Project name	Land-use purpose	Group's interest (%)	Approximate attributable gross floor area (million sq.ft.)
1.	Phase 1, Emerald Valley, Nanjing	Residential	100.00	0.47
2.	Xuzhou Lakeview Development, Phase 1A	Residential	100.00	0.69
3.	Phases 1B (C2) and 3A (C2), La Botanica, Xian	Residential	50.00	1.42
4.	Treasure Garden, Nanjing	Residential	90.10	0.79
5.	Phase 1A, Grand Lakeview, Yixing	Residential	100.00	1.80
6.	Phase 1B, Riverside Park, Suzhou	Residential	100.00	0.42
7.	Phase 2A, The Arch of Triumph, Changsha	Residential	100.00	0.43
			Total:	**6.02**

In July 2013, the Group entered into a co-operation framework agreement with CIFI Holdings (Group) Co. Ltd. ("CIFI", a property developer listed in Hong Kong) on a 51:49 ownership basis to jointly develop a residential and commercial site of about 930,000 square feet in Yuhang District, Hangzhou. The land costs RMB763 million and will provide a planned total gross floor area of over 2.3 million square feet, of which not less than 90% is intended for residential use.

In December 2013, the Group entered into another co-operation framework agreement with CIFI to form a 50/50 joint venture to develop a residential and commercial site of about 910,000 square feet in Hongqiao Business District, Minhang District, Shanghai. The land lot, which was bought previously in a public auction at a consideration of RMB2,144 million, will provide a planned total gross floor area of over 1.8 million square feet.

In addition to approximately 1.2 million square feet in attributable gross floor area of completed property stock, the Group at 31 December 2013 had a sizeable development land bank across 16 major cities with a total attributable gross floor area of about 136.1 million square feet, of which around 82% was planned for residential development for sale:

Land bank under development or held for future development

		Group's share of developable gross floor area* (million sq.ft.)
Prime cities		
Shanghai		1.6
Guangzhou		14.6
	Sub-total:	**16.2**
Second-tier cities		
Anshan		17.8
Changsha		13.1
Chengdu		4.0
Chongqing		4.9
Dalian		10.3
Fuzhou		1.8
Hangzhou		1.2
Nanjing		1.7
Shenyang		11.1
Suzhou		15.6
Tieling		8.7
Xian		17.3
Xuzhou		4.6
Yixing		7.8
	Sub-total:	**119.9**
	Total:	**136.1**

** Excluding basement areas and car parks*

Usage of development land bank

		Estimated developable gross floor area (million sq.ft.)	Percentage (%)
Residential		111.2	82
Commercial		10.5	8
Office		9.7	7
Others (including clubhouses, schools and community facilities)		4.7	3
	Total:	**136.1**	**100**

Property Sale

During the year under review, the Group sold and pre-sold in total an attributable HK$7,315 million worth of mainland properties, a marked increase of 12% as compared with HK$6,548 million for the previous year. "Riverside Park" in Suzhou, "Grand Waterfront" in Chongqing, "High West" in Chongqing, Xuzhou Lakeview Development and "Treasure Garden" in Nanjing had sold particularly well.

Investment Properties

At 31 December 2013, the Group had 6.6 million square feet of completed investment properties in mainland China, comprising mainly offices and shopping malls in the city centres of Beijing, Shanghai and Guangzhou. As a result of higher rents and greater contributions from new investment properties, the Group's attributable gross rental income and pre-tax net rental income increased by 12% to HK$1,303 million and by 24% to HK$1,071 million, respectively during the year under review.

In Beijing, World Financial Centre houses many world-renowned financial institutions and multinational corporations such as Standard Chartered Bank, British Petroleum, Shell China, Alibaba and Rabobank. During the year under review, gross rental income for this international Grade-A office complex increased by 12% to HK$511 million with the leasing rate exceeding 95% by the end of 2013. As to the shopping mall at Henderson Centre, after much deliberation, the tenant mix has been optimised and the asset quality upgraded. Hence, a 71% year-on-year growth in rental income was achieved and the leasing rate exceeded 93% at 31 December 2013.

Henderson Metropolitan, Huangpu District, Shanghai

In Shanghai, Henderson Metropolitan occupies a superb location near the Bund. With its unique architectural design, eclectic mix of retail flagships (including the avant-garde flagship store of Apple), innovative marketing events and premium estate management, it has developed into a trendy focal shopping point along Nanjing Road East, the busiest pedestrian street in the City. In 2013, improvement works carried out on the shopping centre included a total revamp of the entire B2 level, which offers a completely new appeal to consumers. The Group has also diversified the tenant mix of the shopping mall so as to offer more variety in terms of fine dining outlets, fashion brands and entertainment facilities, to fulfill the shopping needs of modern families. In order to enhance its popularity and to create a lively ambience, Henderson Metropolitan hosted spectacular and unique marketing campaigns every month. Grand Gateway II is widely acclaimed as a leading Grade-A office building in Xuhui District and its office space is highly sought after by leading multinational corporations. Greentech Tower has become a new landmark in Zhabei District after successfully attracting a wide array of quality tenants. Both its office tower and commercial mall have been fully leased within a period of slightly more than one year. The Group's leasing achievements were recognised and lauded by the Zhabei District Government which granted Henderson a tax rebate as reward. In 2013, the Zhabei District Government also bestowed the award of "Excellent Building" on Centro in recognition of its excellent building management. Henderson 688 is a property situated at the prestigious Nanjing Road West in Jingan District. It has an aesthetic "progressive staircase" design and a glittering facade from many perspectives. It is scheduled for completion in 2014. Pre-leasing has been launched and the response has been good. Several renowned dining outlets have already signed up for spaces in the mall, providing complementary facilities to the office tenants of the property. The Group's intense leasing efforts have led to an increase of 10% year-on-year in gross rental income from investment properties in Shanghai.

In Guangzhou, Heng Bao Plaza atop the Changshou Road subway station was under realignment of tenant mix and its leasing rate was slightly lowered to 90% at 31 December 2013.

Henderson Investment Limited ("HIL")

For the year ended 31 December 2013, HIL's profit attributable to equity shareholders amounted to HK$10 million, representing a decrease of HK$15 million or 60% from HK$25 million for the corresponding year ended 31 December 2012. Commencing from 20 March 2012, payment of the toll fee in respect of Hangzhou Qianjiang Third Bridge to a joint venture company of HIL was provisionally suspended. For the sake of prudence, the toll revenue commencing from 20 March 2012 has not been recognised in the accounts of HIL. Profit for the year under review mainly comprised bank interest income and net foreign exchange gain totalling HK$50 million, which was offset by the direct costs (mainly comprising amortization charge of the toll bridge) of HK$39 million.

This group raised the issue of toll fee collection right with China International Economic and Trade Arbitration Commission ("CIETAC") for arbitration. On 12 November 2012, CIETAC confirmed its acceptance to administer the above arbitration case and on 26 August 2013 finalised the composition of an arbitration tribunal. CIETAC has now fixed the commencement date of the arbitration hearing on 14 April 2014. The total toll revenue (after deduction of PRC business tax) accrued for but not recognised by HIL up to 31 December 2013 amounted to HK$572 million.

HIL may continue to report a loss from operations in the future financial periods, unless the arbitration proceedings result in a determination or the parties come to an agreement in each case satisfactory to HIL, or suitable investment that may be identified by HIL produces satisfactory income.

Associated Companies

The Hong Kong and China Gas Company Limited ("Hong Kong and China Gas")

Profit after taxation attributable to shareholders of Hong Kong and China Gas for the year amounted to HK$6,854 million, a decrease of HK$858 million compared to 2012. Exclusive of its share of a revaluation surplus from investment properties and a one-off net gain, this group's profit after taxation for the year increased by HK$767 million to HK$6,680 million, an increase of 13% compared to 2012 mainly attributable to a rise in profit from this group's local businesses and mainland utility businesses.

During the year under review, this group invested HK$5,294 million in production facilities, pipelines, plants and other fixed assets for the sustainable development of its various existing and new businesses in Hong Kong and mainland China.

Gas Business in Hong Kong

Total volume of gas sales in Hong Kong for the year increased slightly by approximately 0.7% to 28,556 million MJ, whereas appliance sales increased by approximately 3.3%. An increase in the standard gas tariff with effect from 1 April 2013 is offsetting some of its own rising operating costs. At the end of 2013, the number of customers was 1,798,731, an increase of 22,371 compared to 2012. Laying of a 15 km pipeline to bring natural gas from Tai Po to Ma Tau Kok gas production plant, to partially replace naphtha as feedstock for the production of town gas, was substantially completed in 2013. Modification of associated stations and Ma Tau Kok plant's facilities is progressing to cope with the natural gas supply. Commissioning of the pipeline is expected in the third quarter of 2014. Construction of a 9 km pipeline in the western New Territories to strengthen supply capability and reliability is more than halfway complete. In tandem with the government's development of West Kowloon and South East Kowloon, network planning, design and construction in these locations are underway. The gas supply pipeline to the Kai Tak Cruise Terminal was commissioned in mid-2013. Construction of pipelines to supply a large housing development at Anderson Road in East Kowloon, which is now at the planning stage, has commenced. Construction of a new submarine pipeline from Ma Tau Kok to North Point is progressing well with commissioning expected in the coming year.

Utility Businesses in Mainland China

At the end of December 2013, this group had an approximately 62.31% interest in Towngas China Company Limited ("Towngas China"; stock code: 1083). Towngas China continued to record good growth in profit after taxation attributable to its shareholders, amounting to HK$1,106 million in 2013, an increase of approximately 32% over 2012. Towngas China acquired 14 new piped-gas projects in 2013 located in Zhengpugang Xin Qu Modern Industrial Zone, Maanshan city, in Fanchang county, Wuhu city and in Bozhou-Wuhu Modern Industrial Zone, Bozhou city all in Anhui province; in Cang county, in Mengcun Hui Autonomous County and in Yanshan county, all in Cangzhou city, and in Shijiazhuang Southern Industrial Zone all in Hebei province; in the Economic Development Zone, Boxing county, Binzhou city and in Shiheng town, Feicheng city both in Shandong province; in Mianzhu city, Sichuan province; in Dafeng city, Jiangsu province; in Fengxi district, Chaozhou city, Guangdong province; in Jianping county, Liaoning province; and Zhongwei piped city-gas project in Guangxi Zhuang Autonomous Region.

Hong Kong and China Gas group's city-gas businesses are progressing well with a total of 15 new projects added to its portfolio in 2013, including one located in economically vibrant Hangzhou city. At the end of 2013, inclusive of Towngas China, this group had a total of 119 city-gas projects in mainland cities spread across 20 provinces, autonomous regions and municipalities. The total volume of gas sales for these projects in 2013 was approximately 13,400 million cubic metres, an increase of 13% over 2012. At the end of 2013, this group's mainland gas customers stood at approximately 17.29 million, an increase of 17 % over 2012.

Its midstream natural gas projects include natural gas pipeline projects in Anhui province, in Hebei province and in Hangzhou city, Zhejiang province; natural gas extension projects in Jilin and Henan provinces; the Guangdong LNG Receiving Terminal project; and Towngas China's midstream pipeline project located in Wafangdian, Dalian city, Liaoning province.

This group has so far invested in, and operates, six water projects, including water supply joint venture projects in Wujiang district, Suzhou city, Jiangsu province and in Wuhu city, Anhui province; a wholly-owned water supply project in Zhengpugang Xin Qu, Maanshan city, Anhui province; an integrated water supply and wastewater joint venture project, together with an integrated wastewater treatment project for a special industry, both in Suzhou Industrial Park, Suzhou city, Jiangsu province; and a water supply project in the starting area of Jiangbei Concentration Zone, Wuhu city, Anhui province, acquired in December 2013.

Emerging Environmentally-Friendly Energy Businesses

Its development of emerging environmentally-friendly energy projects and related research and development of new technologies, through its wholly-owned subsidiary ECO Environmental Investments Limited and the latter's subsidiaries (together known as "ECO"), are progressing well.

ECO's two major businesses in Hong Kong – an aviation fuel facility servicing Hong Kong International Airport, and dedicated liquefied petroleum gas ("LPG") vehicular filling stations – are operating smoothly. Total turnover for the aviation fuel facility for 2013 was 5.56 million tonnes, providing a safe and reliable fuel supply to Hong Kong International Airport. Profit margins for the LPG refilling station business for 2013 were significantly higher than those of 2012.

ECO has started to reinforce its LNG supply capacity with unconventional gas resources such as coalbed gas and coke oven gas. ECO's coalbed methane liquefaction facility, located in Jincheng city, Shanxi province, is operating smoothly and its liquefied products' selling prices have risen significantly. ECO has recently endeavoured to speed up its negotiations with several coking plants to conclude long-term supply agreements of coke oven gas to be used for producing LNG through methanation and then liquefaction. Preparatory work for ECO's first project of this kind, located in Xuzhou city, Jiangsu province, has commenced; commissioning is expected in the first half of 2015. A similar project located in Jiexiu city, Shanxi province, is also expected to be concluded in the near future; construction will then start immediately.

When ECO extended its business into the mainland in 2008, its first project was the construction of a compressed natural gas refilling station for heavy-duty trucks in Shaanxi province. A network of ECO natural gas refilling stations has gradually taken shape in provinces including Shaanxi, Shandong, Shanxi, Henan and Liaoning. ECO is also now planning to provide LNG refilling facilities for incoming and outgoing heavy-duty trucks and river transport vessels at the logistics port of Jining city, Shandong province – a port which links an upstream railway with the nearby downstream Beijing-Hangzhou canal. All in all, ECO currently has 25 refilling stations in operation, under planning or construction, and further expansion of this business into other provinces is actively in progress.

ECO has completed testing verification for upgrading plant fatty-acids (palm oil residue) to petrol or diesel and has applied for a patent for this technology. The company's first project in this field, with an annual capacity to upgrade 150,000 tonnes of plant fatty-acid and to be located in the Chemical Industrial Park of Zhangjiagang city, Jiangsu province, will be an important step forward in developing ECO's biomass energy business.

ECO's methanol production plant in Inner Mongolia finished trial production in late 2013 and has been running smoothly since commissioning. Methanol, a good chemical feedstock, can be further processed into the high value-added products of olefin and paraffin using cracking and polymerisation techniques. ECO's self-developed technology can upgrade methanol into high value-added products which can substitute for gasoline, and this has also led to the commencement of a new project in Inner Mongolia to upgrade methanol into 140,000 tonnes of high-quality gasoline substitute, an important milestone for ECO's methanol upgrading business. This project is expected to be commissioned before the end of 2014.

With regard to ECO's upstream resources business, the operation of the oilfield project in Thailand is relatively stable, now mainly focusing on stepping up exploration activities so as to optimise oil drilling plans. In contrast, coal mining businesses in Inner Mongolia have suffered as the decrease in demand for coal on the mainland has adversely impacted direct sales.

ECO methanol plant in Inner Mongolia

Overall, inclusive of projects Towngas China, this group had 173 projects on the mainland, as at the end of 2013, 23 more than at the end of 2012, spread across 22 provinces, autonomous regions and municipalities. These projects encompass upstream, midstream and downstream natural gas sectors, water sectors, environmentally-friendly energy applications, energy resources' exploration and utilisation, as well as telecommunications.

Property Developments

Leasing of the commercial area of the Grand Waterfront property development project located at Ma Tau Kok is good. It also has an approximately 15.8% interest in the International Finance Centre complex, which also performed well.

Financing Programmes

This group established a medium term note programme in 2009 under HKCG (Finance) Limited and it had issued, as at 31 December 2013, medium term notes of an aggregate amount equivalent to HK$10,200 million with tenors ranging from 5 to 40 under this programme. In January 2014, this group also issued its first perpetual subordinated guaranteed capital securities (the "Perpetual Securities"), amounting to US$300 million, through Towngas (Finance) Limited. These Perpetual Securities have a nominal interest rate of 4.75% per annum for the first five years, a record low for securities of the same kind issued by corporations in Asia, and thereafter will have a floating interest rate. With no fixed maturity, the Perpetual Securities are redeemable, at the option of this group, in January 2019 or thereafter every six months on the coupon payment date. The issuance of the Perpetual Securities, rated A3 and A- by international rating agencies Moody's Investors Service and Standard and Poor's Rating Services respectively, received an overwhelming response with six times subscription. The Perpetual Securities, guaranteed by Hong Kong and China Gas, were listed on The Stock Exchange of Hong Kong Limited on 29 January 2014.

Hong Kong Ferry (Holdings) Company Limited ("Hong Kong Ferry")

Hong Kong Ferry's consolidated profit after taxation for the year ended 31 December 2013 amounted to approximately HK$293 million, a decrease of 26% as compared with the profit after taxation of HK$397 million (restated) last year. During the year under review, profit for this group was mainly derived from the sale of the residential units of Shining Heights and The Spectacle, rental income, surplus from revaluation of investment properties and gain from sale of securities investment. As disclosed in its announcement published on 2 January 2014, the occupation permit of Green Code at No.1 Ma Sik Road, Fanling was not obtained by 31 December 2013 due to delay in the progress of construction, and needed to be postponed to 2014. Accordingly, the relevant sale revenue has not been recognised in its consolidated profit and loss account for the financial year of 2013.

During the year under review, its rental and other income from commercial arcades and sale proceeds of properties amounted to a total of approximately HK$121 million. The commercial arcades of Metro Harbour View and Shining Heights were fully let whereas the occupancy rate of the commercial portion of The Spectacle at the year end was about 60%.

During the year, the sale of its Green Code project proceeded satisfactorily with firm prices. A total of 691 units was sold up to the year end date, representing 95% of the saleable units.

The structure of Hung Hom Inland Lot No. 555 at the junction of Gillies Avenue South and Bulkeley Street, Hung Hom has been built up to the sixth floor. The residential-cum-commercial tower will provide a total gross floor area of approximately 56,000 square feet and comprise 95 residential units.

Foundation works of the property at 208 Tung Chau Street have been completed. As disclosed in its announcement published on 16 May 2013, the progress of the project may be delayed due to a case of the Court of Final Appeal of Hong Kong regarding the meaning of the word "house" under the Government lease. It is still liaising with the relevant government authorities on clarification of the term and will make further announcements and keep its shareholders informed of further developments as and when necessary.

The Ferry, Shipyard and related operations achieved an increase of 21% in operating profit to HK$34 million as compared with last year. The increase was mainly due to the sale of two oil barges during the year. Due to the occurrence of avian flu in China and the anti-government protests in Thailand during the year, the operating results of Travel operations regressed to a deficit of HK$3.3 million this year. It also recorded a surplus of HK$104 million on disposal of certain securities investments in 2013.

This group plans to continue to sell the remaining units of "Green Code" and launch the sale of Hung Hom Bulkeley Street property this year. Green Code will bring promising sales return to this group if the occupation permit can be procured on time.

Miramar Hotel and Investment Company, Limited ("Miramar")

Miramar's turnover rose by 2% to approximately HK$3,044 million for the financial year ended 31 December 2013 when compared to the last corresponding period. Profit attributable to shareholders decreased by 7% to approximately HK$1,278 million. Excluding the net increase in the fair value of its investment properties, underlying profit attributable to shareholders grew by 7% to approximately HK$478 million.

Its four core business units (Hotel and Serviced Apartment, Property Rental, Food and Beverage, and Travel) all performed satisfactorily during the year.

Hotel and Serviced Apartment business experienced a slight decline in average daily rate (ADR) and a slight reduction in EBITDA (earnings before interest, tax, depreciation and amortization) to approximately HK$223.8 million. The highlight of the year was the opening on 1 November of Mira Moon, a unique 91-room boutique hotel located in Wan Chai. Miramar is planning the launch of a third Mira brand hotel.

Miramar's portfolio of commercial properties in Hong Kong and mainland China achieved growth in revenues of 7% and EBITDA of 8% in 2013. Its landmark properties in Tsim Sha Tsui include two shopping malls and an office tower. Miramar Shopping Centre (MSC) and Mira Mall remained resilient. Occupancy rate for MSC remained at 97% during 2013, while an increase in average rental unit rate of 6% over last year was achieved. Miramar Tower experienced a slight decline in occupancy rate to 95%, while the average rental unit rate increased by 19%.

Yunyan Sichuan restaurant in Causeway Bay

Food and Beverage business achieved progress in the past year with revenue up by 12% and losses reduced. During the year, a Tsui Hang Village Cantonese restaurant was opened in Causeway Bay, the third in this popular chain. French Window Brasserie and Bar was re-launched at ifc Mall, and Yunyan Sichuan restaurant was relocated to Times Square under a new identity as Yun Yan. School Food, a restaurant chain specializing in Korean snack food, was also opened in Times Square.

Travel Business achieved revenue growth of 9% to approximately HK$1,220.9 million and EBITDA of approximately HK$56.6 million.

In light of increasing losses of its Apparel business, Miramar decided to discontinue this business at the natural expiry of distribution contract terms in December 2013.

Mira Moon, Wanchai, Hong Kong

Corporate Finance

The Group has always adhered to prudent financial management principles, as evidenced by its gearing ratio which stood at 17.2% at 31 December 2013 (2012: 17.2%).

In light of the low interest rate levels resulting from quantitative easing measures adopted by major economies around the world over the past few years, the Group has concluded Hong Kong dollar interest rate swap contracts for terms ranging from three to fifteen years. Such contracts were entered into for the purpose of converting part of the Group's borrowings from floating interest rates into Hong Kong dollar fixed interest rates. It is considered that such a treasury management strategy will be of benefit to the Group in the long run.

International Finance Centre project, which is owned by a joint venture of the Group, made an approach to the rated bond market which resulted in the successful conclusion of a Guaranteed Notes issuance transaction in May 2013 for a total amount of US$500 million. This issue was rated A2 (Stable) by Moody's Investors Service and A (Stable) by Standard & Poor's Rating Services. At a coupon rate of 2.375% with a tenor of six years, the pricing for this transaction was concluded at a low level relative to the interest rate levels prevailing for comparable public bonds issued by top credit-rated companies in Hong Kong.

Shortly after the end of the financial year, the Group concluded a HK$13,800 million 4-year and 5-year term loan/revolving credit facility on 6 January 2014 with a consortium of 19 leading international banks and local financial institutions. It is the largest syndicated credit facility that has ever been concluded by the Group, reflecting the continuing support and trust of the banking community in the Group.

Prospects

Taking the helm in early 2014, the new chief of the Federal Reserve of the United States supported the tapering of the quantitative easing programme. At the same time, she reiterated that the federal funds rates would remain low for a considerable time unless there was a change in the economic outlook based on the labour market and general price level. The current low interest rate environment in Hong Kong should continue to underpin housing demand from end-users.

As regards "**property sales**", in addition to the aforesaid "Double Cove Starview", the Group plans to embark on sales launches of Double Cove – Phase 3 and an array of urban residential developments this year. Together with the unsold stocks, a total of over 3,800 residential units in Hong Kong will be available for sale in 2014.

The Group has a land reserve in the New Territories of about 42.5 million square feet, the largest holding among its peers in Hong Kong. As the earnest development of the New Territories as well as "Introduction of a Pilot Scheme for Arbitration on Land Premium" were both issues committed to by the Government in its Policy Address, land-use conversion may hopefully be expedited. Besides, the Group has been active in acquiring old tenement buildings in urban areas so as to expand its development land bank. Many of these redevelopment projects have been put up for sale and will be completed successively. For the current year and over the next three years, nearly 7.0 million square feet in total attributable gross floor area is expected to be available for sale or leasing. Details for these development projects are summarised in the above categories (1) to (6).

Turning to mainland China, the Third Plenary Session held late last year re-defined the policies on the mainland property sector, clearly focusing on the market mechanism and emphasizing comprehensive and deepening reforms in the long-term. The control measures for prime cities will continue to be strengthened, with the restrictions on home purchases, housing mortgage loans and other related measures unlikely to be withdrawn in the near future. However, there may be hopes of second and third tier cities seeing a gradual relaxation. It is anticipated that the overall economy of China will continue to grow and the demand from end-user home purchases will continue. The Group will actively seek to expand its land bank in the mainland, targeting projects for first time home buyers and upgraders. Apart from developing properties on its own, the Group will continue looking for new joint-venture projects with local property developers.

In the Group's Hong Kong land bank, properties under development accounted for 13.7 million square feet. Inclusive of about 0.8 million square feet of major completed stock, the total attributable gross floor area amounted to approximately 14.5 million square feet. Upon successive completion of these projects, assuming sale can be achieved at HK$10,000 per square foot, together with the completed stock, there would be an accumulative total sales value of HK$145 billion. These projects, about one half of which is located in the prime urban areas with relatively low costs, serve as an important pillar to support the Group's revenue growth for the coming years.

As regards "**rental business**", the Group held a total attributable gross floor area of over 10.0 million square feet in completed investment properties and hotels in Hong Kong. Given the prevailing tight supply of office space, as well as the influx of inbound tourists to the shopping malls, continuous growth is expected in local rental income. Mainland rental income also grew consecutively. The scheduled completion of "Henderson 688" in Shanghai in 2014 will expand the Group's mainland rental portfolio by about 0.7 million square feet to 7.3 million square feet in gross floor area. In 2013, the Group's pre-tax net rental income continued to record a double-digit growth to HK$5,605 million. With a continually expanding rental portfolio and an optimised tenant mix, the Group's rental income is set to rise further, serving as another key stable income pillar of the Group.

The Group's "**associates**", namely, Hong Kong and China Gas, Miramar and Hong Kong Ferry, provide a solid basis for the Group's sustainable growth in recurrent income. Hong Kong and China Gas, in particular, makes the most significant profit contribution. Inclusive of projects of its subsidiary, Towngas China, this group currently has 173 projects on the mainland, spread across 22 provinces, autonomous regions and municipalities. For its piped-gas business, it has a total of over 19.0 million gas customers in Hong Kong and mainland China. The sizeable customer base amid an expanding business coverage ensures a promising return from this group. Together, they serve as another pillar to support the Group's sustainable earnings growth.

The above three major income pillars, as well as a strong balance sheet with a low gearing, enable the Group to create value for shareholders over the long haul. In the absence of unforeseen circumstances, the Group's performance in the coming financial year will be satisfactory.

Appreciation

I would like to take this opportunity to express my gratitude to my fellow directors for their wise counsel, and to thank all our staff for their dedication and hard work.

Lee Shau Kee
Chairman

Hong Kong, 20 March 2014

THE REACH, YUEN LONG, HONG KONG

Progress of Major Development Projects

Status of property developments with anticipated completion during the period to the end of 2016

Double Cove, 8 Wu Kai Sha Road, Ma On Shan (59% owned)

Site area	:	**1,042,397 square feet**
Gross floor area	:	**2,950,660 square feet**
Residential units	:	**3,537**
Expected completion	:	**Second quarter of 2014 (Phase 2)** **First quarter of 2015 (Phase 3)** **Third quarter of 2015 (Phase 4)** **Fourth quarter of 2015 (Phase 5)**

Being the first residential project in Hong Kong designed by the top-notch consultant team, namely Rogers Stirk Harbour + Partners, "Double Cove" is located on a unique twin-cove peninsula which offers sweeping views across Tolo Harbour. This waterfront development, comprising 21 residential towers, is scheduled to be completed in five phases. The first phase of its development was completed in the first half of 2013, offering tranquil living environment for 928 households, in addition to an approximately 100,000-square-foot shopping area with a direct access to Wu Kai Sha MTR terminus.

Green Code, 1 Ma Sik Road, Fanling (33.33% owned)

Site area	:	**95,800 square feet**
Gross floor area	:	**538,723 square feet**
Residential units	:	**728**
Expected completion	:	**Second quarter of 2014**

Overlooking a vast expanse of greenery, this composite development comprises four residential towers with a large shopping plaza on the podium. Boundary crossings to mainland China are easily accessible with control points located nearby.

High West, 36 Clarence Terrace, Sai Ying Pun (100% owned)

Site area	:	**7,310 square feet**
Gross floor area	:	**58,471 square feet**
Residential units	:	**133**
Expected completion	:	**Second quarter of 2014**

"High West" is adjacent to the Hong Kong University MTR station that will soon commence its operation. It is also close to a number of prestigious primary and secondary schools, as well as the University of Hong Kong. Construction of the superstructure is progressing well and this 33-storey residential development will allow upper floor residences to enjoy vistas of the sparkling Victoria Harbour or lush verdant mountains.

High Point, 188 Tai Po Road, Cheung Sha Wan (100% owned)

Site area	:	**8,324 square feet**
Gross floor area	:	**70,340 square feet**
Residential units	:	**138**
Expected completion	:	**Second quarter of 2014**

Located in the core area of West Kowloon, "High Point" offers unparalleled shopping and transportation convenience to its residents. Construction of the superstructure is under way and upon completion, the residential entrance lobby design of Italian sophistication, as well as modern Italian clubhouse, will set the property apart from all the other premises in the vicinity.

High Place, 33 Carpenter Road, Kowloon City (100% owned)

Site area	:	**3,582 square feet**
Gross floor area	:	**31,638 square feet**
Residential units	:	**76**
Expected completion	:	**Fourth quarter of 2014**

Situated in an established district, which houses many famous and highly sought-after schools, "High Place" enjoys the potential embodied in the newly-commissioned Kai Tak Cruise Terminal. Construction has proceeded to the superstructure stage.

High Park Grand, 68 Boundary Street (100% owned)

Site area	:	**6,750 square feet**
Gross floor area	:	**60,750 square feet**
Residential units	:	**41**
Expected completion	:	**Fourth quarter of 2014**

Situated close to both Prince Edward and Mong Kok East MTR stations, this 29-storey residential-cum-commercial tower is a tribute to the heritage of Kowloon Tong's historic mansions, featuring spacious units. Thanks to the shimmering façade design and features that maximise light and visibility, residents will enjoy breathtaking views of the surrounding green parks and Lion Rock. Superstructure works are in progress.

121 Bulkeley Street, Hung Hom (33.33% owned)

Site area	:	**6,268 square feet**
Gross floor area	:	**55,552 square feet**
Residential units	:	**95**
Expected completion	:	**First quarter 2015**

At the junction of Gillies Avenue South and Bulkeley Street, Hung Hom, a residential-cum-commercial tower will be developed and superstructure works are in progress.

High Park, 51 Boundary Street (100% owned)

Site area	:	**5,880 square feet**
Gross floor area	:	**52,919 square feet**
Residential units	:	**59**
Expected completion	:	**First quarter 2015**

"High Park" is situated at the transport nexus of Prince Edward, with MTR station and cross-border coach terminus just steps away. Besides, the flower bazaar and Mong Kok shopping avenue are both within its walking distance, offering unrivalled living convenience to its residents. Superstructure works are in progress and it will be developed into a 32-storey residential-cum-commercial tower, overlooking the Police Sports and Recreation Club, as well as the lush greenery nearby.

Global Gateway Tower, 63 Wing Hong Street, Cheung Sha Wan (100% owned)

Site area	:	**28,004 square feet**
Gross floor area	:	**335,968 square feet**
Expected completion	:	**Second quarter of 2015**

The prime location close to Lai Chi Kok MTR station, plus the iconic visionary architecture and round-the-clock facilities make this project a new benchmark for premium industrial premises in West Kowloon. Construction has proceeded to the superstructure stage.

2-12 Observatory Road, Tsim Sha Tsui (50% owned)

Site area	:	**13,764 square feet**
Gross floor area	:	**82,533 square feet**
Expected completion	:	**Second quarter of 2015**

Superstructure works are in progress and such development project, which boasts quality office and retail spaces, will be held for rental purposes.

The Hemispheres, 3 Gordon Road, North Point (100% owned)

Site area	:	**7,386 square feet**
Gross floor area	:	**61,602 square feet**
Residential units	:	**119**
Expected completion	:	**Second quarter of 2015**

"The Hemispheres", a leading boutique apartment tower, is adjacent to both Fortress Hill and Tin Hau MTR stations. With the vibrant Causeway Bay shopping hub as well as Victoria Park in its proximity, this development offers unrivalled living convenience to the residents. The superstructure works are in progress.

186-198 Fuk Wing Street, Sham Shui Po (100% owned)

Site area	:	**7,350 square feet**
Gross floor area	:	**63,034 square feet**
Residential units	:	**110**
Expected completion	:	**Third quarter of 2015**

Situated close to both Cheung Sha Wan and Shum Shui Po MTR stations, it will be developed into a residential-cum-commercial property and superstructure works are in progress.

565-577 Fuk Wah Street, Cheung Sha Wan (100% owned)

Site area	:	**7,560 square feet**
Gross floor area	:	**63,786 square feet**
Residential units	:	**187**
Expected completion	:	**Second quarter of 2016**

Adjacent to an array of amenities, such as sports centre and sports ground which meet the needs of the urban dwellers, it will be developed into a quality residential-cum-commercial property and foundation work has been progressing well.

62-76 Ap Lei Chau Main Street, Southern District (100% owned)

Site area	:	**7,953 square feet**
Gross floor area	:	**65,764 square feet**
Residential units	:	**106**
Expected completion	:	**Fourth quarter of 2016**

Adjacent to Lei Tung MTR station, which will commence operations in 2015, this waterfront development offers easy accessibility to the Core Business District of Hong Kong, with many residences enjoying pristine seaview of Aberdeen or lush verdant mountains. Both Aberdeen Marina Club and the world renowned Ocean Park are in the proximity, making this project a new landmark of the district. The first phase of foundation work was completed.

1-11 Lai Yin Street and 2-12 Jones Street, Tai Hang (70% owned)

Site area	:	**6,529 square feet**
Gross floor area	:	**65,256 square feet**
Residential units	:	**119**
Expected completion	:	**Fourth quarter of 2016**

Located in Tai Hang, which houses many dining outlets with Causeway Bay shopping hub and Victoria Park within its walking distance, this development offers unrivalled living convenience to its residents. Demolition work was completed.

Location of Various Categories of Development Projects

Unsold Units from the Major Development Projects Offered for Sale

1 Double Cove (Phase 1)
2 The Reach
3 Green Code
4 High Park
5 High Point
6 High Place
7 The Hemispheres
8 The Gloucester
9 High West
10 39 Conduit Road
11 The Beverly Hills (Phases 1-3)
12 Hill Paramount
13 Green Lodge
14 E-Trade Plaza
15 Global Trade Square
16 Global Gateway Tower

Projects Pending Sale in 2014

17 Double Cove Starview
18 Double Cove (Phase 3)
19 High Park Grand
20 186-198 Fuk Wing Street, Sham Shui Po
21 565-577 Fuk Wa Street, Cheung Sha Wan
22 121 Bulkeley Street, Hung Hom
23 1-11 Lai Yin Street and 2-12 Jones Street, Tai Hang
24 62-76 Ap Lei Chau Main Street, Southern District
25 Global Gateway Tower (Remaining floors not yet put up for sale)

Remaining Phases of Double Cove

26 Double Cove (Phase 4)
27 Double Cove (Phase 5)

Existing Urban Redevelopment Projects

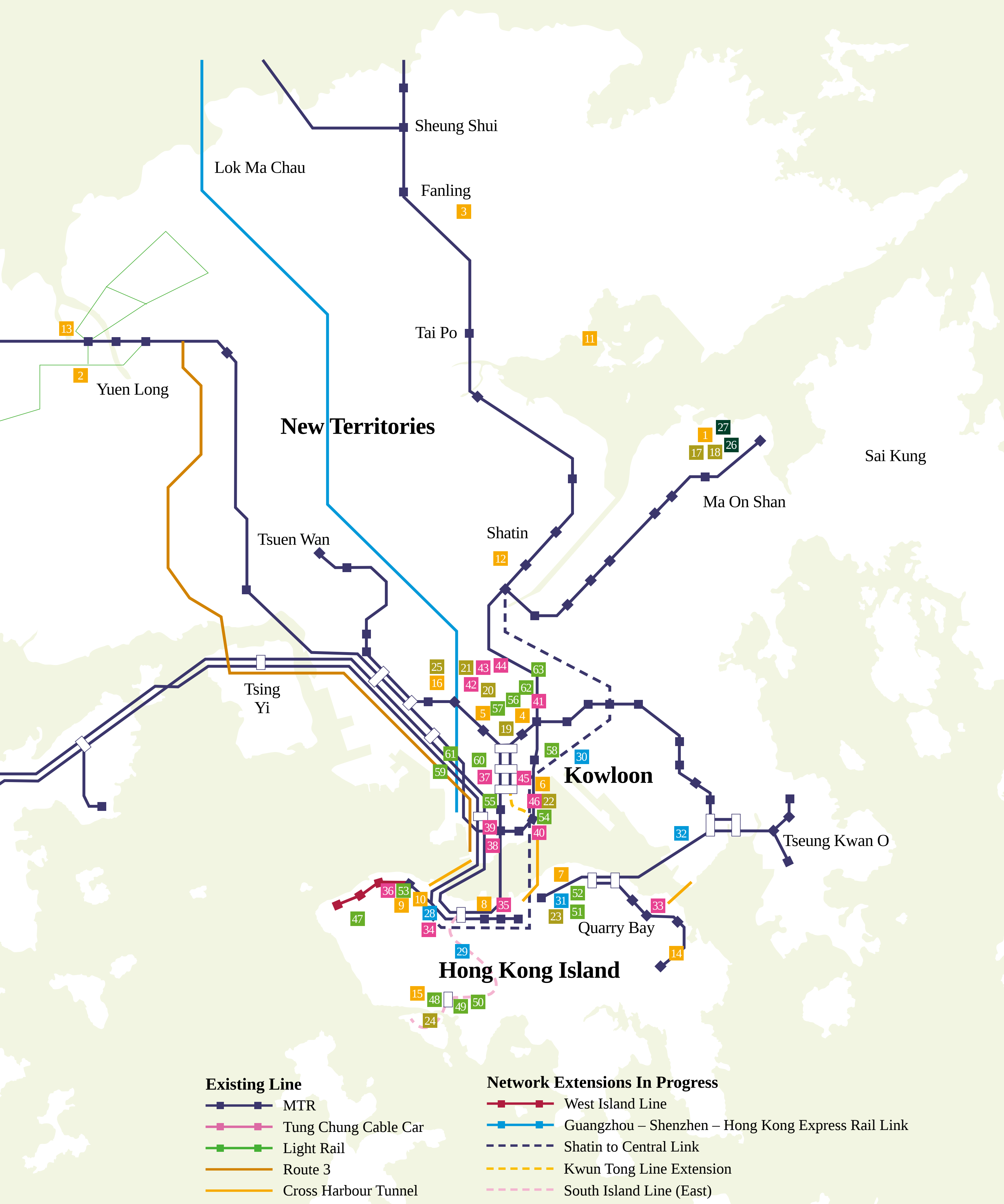
28 45-47 Pottinger Street and Ezra's Lane, Central
29 29 Lugard Road, The Peak
30 8 Wang Kwong Road, Kowloon Bay
31 14-30 King Wah Road, North Point
32 Yau Tong Bay

Newly-acquired Urban Redevelopment Projects – with Over 80% Ownership Secured

47 450-456G Queen's Road West, Western District
48 85-95 Shek Pai Wan Road, Aberdeen
49 4-6 Tin Wan Street, Aberdeen
50 12-18 Tin Wan Street, Aberdeen
51 9-13 Sun Chun Street, Tai Hang
52 21-39 Mansion Street and 852-858 King's Road, North Point
53 4A-4P Seymour Road, Mid-Levels
54 57-69 Ma Tau Wai Road, 2-20 Bailey Street and 18A-30 Sung Chi Street, To Kwa Wan
55 2A-2F Tak Shing Street, Jordan
56 456-466 Sai Yeung Choi Street North and 50-56 Wong Chuk Street, Sham Shui Po
57 1-19 Nam Cheong Street, Sham Shui Po
58 79-83 Fuk Lo Tsun Road, Kowloon City
59 25-29 Kok Cheung Street, Tai Kok Tsui
60 8-30A Ka Shin Street, Tai Kok Tsui
61 35-47 Li Tak Street, 2-16 Kok Cheung Street and 32-44 Fuk Chak Street, Tai Kok Tsui
62 21-27 Berwick Street and 212-220 Nam Cheong Street, Shek Kip Mei
63 3-8 Yiu Tung Street, Shek Kip Mei

Newly-acquired Urban Redevelopment Projects – Ownership Fully Consolidated

33 19-35 Shing On Street and 15 Tai Shek Street, Sai Wan Ho
34 23-25 Robinson Road, Mid-Levels
35 208-210 Johnston Road, Wanchai
36 307-329 Des Voeux Road West, Western District
37 11-33 Li Tak Street, Tai Kok Tsui
38 2-12 Observatory Road, Tsim Sha Tsui
39 38-40A Hillwood Road, Tsim Sha Tsui
40 50-56 and 58-64 Ma Tau Kok Road and 162-168 Pau Chung Street, To Kwa Wan
41 1-15 Berwick Street, Shek Kip Mei
42 342-348 Un Chau Street, Cheung Sha Wan
43 352-354 Un Chau Street, Cheung Sha Wan
44 11-19 Wing Lung Street, Cheung Sha Wan
45 7-7G Victory Avenue, Homantin
46 196-202 Ma Tau Wai Road, To Kwa Wan



Sheung Shui
Lok Ma Chau
Fanling
Tai Po
Yuen Long
New Territories
Sai Kung
Ma On Shan
Shatin
Tsuen Wan
Tsing Yi
Kowloon
Tseung Kwan O
Quarry Bay
Hong Kong Island
Existing Line
MTR
Tung Chung Cable Car
Light Rail
Route 3
Cross Harbour Tunnel
Network Extensions In Progress
West Island Line
Guangzhou – Shenzhen – Hong Kong Express Rail Link
Shatin to Central Link
Kwun Tong Line Extension
South Island Line (East)

Major Completed Investment Properties

Name	Location	Lease expiry	Group's interest (%)	Attributable gross floor area (square feet) Residential/ Hotel Serviced Suite	Commercial	Office	Industrial/ Office	Total	Attributable no. of carpark
Hong Kong Island									
Eva Court	36 MacDonnell Road, Mid-Levels	2895	100.00	108,214	-	-	-	108,214	49
Golden Centre	170-188 Des Voeux Road, Central	2050	100.00	-	21,842	134,450	-	156,292	-
FWD Financial Centre (formerly known as ING Tower)	308-320 Des Voeux Road Central	2865	100.00	-	31,987	182,373	-	214,360	-
AIA Tower	183 Electric Road, North Point	2047	100.00	-	22,338	490,072	-	512,410	207
One International Finance Centre	1 Harbour View Street, Central	2047	40.76	-	53,452	319,754	-	373,206	71
Two International Finance Centre (excluding levels of 33 to 52, 55, 56 and 77 to 88)	8 Finance Street, Central	2047	40.76	-	207,423	451,746	-	659,169	189
Four Seasons Place	8 Finance Street, Central	2047	40.76	216,050	-	-	-	216,050	7
CentreStage	108 Hollywood Road	2072	100.00	-	16,084	-	-	16,084	64
39 Conduit Road	39 Conduit Road, Mid-Levels	2061	60.00	35,545	-	-	-	35,545	58
Mira Moon	388-390 Jaffe Road, Wanchai	2026	100.00	66,128	-	-	-	66,128	-
Kowloon									
Hollywood Plaza	610 Nathan Road, Mong Kok	2047	33.33	-	33,511	64,422	-	97,933	-
Winning Centre	29 Tai Yau Street, San Po Kong	2047	100.00	-	-	-	150,212	150,212	-
Well Tech Centre	9 Pat Tat Street, San Po Kong	2047	100.00	-	-	-	171,805	171,805	40
Big Star Centre	8 Wang Kwong Road, Kowloon Bay	2047	100.00	-	-	-	175,447	175,447	20
Dragon Centre	79 Wing Hong Street, Cheung Sha Wan	2023	100.00	-	-	-	172,117	172,117	76
Manulife Financial Centre	223-231 Wai Yip Street, Kwun Tong	2050	88.50	-	47,860	919,004	-	966,864	394
78 Hung To Road	78 Hung To Road, Kwun Tong	2047	100.00	-	-	-	119,995	119,995	16
Bamboos Centre	52 Hung To Road, Kwun Tong	2047	100.00	-	-	-	125,114	125,114	-
AIA Financial Centre	712 Prince Edward Road East, San Po Kong	2047	100.00	-	-	216,593	-	216,593	70
Cité 33	33 Lai Chi Kok Road, Mong Kok	2026	100.00	-	13,620	-	-	13,620	-
The Sparkle	500 Tung Chau Street, Cheung Sha Wan	2055	100.00	-	53,443	-	-	53,443	-

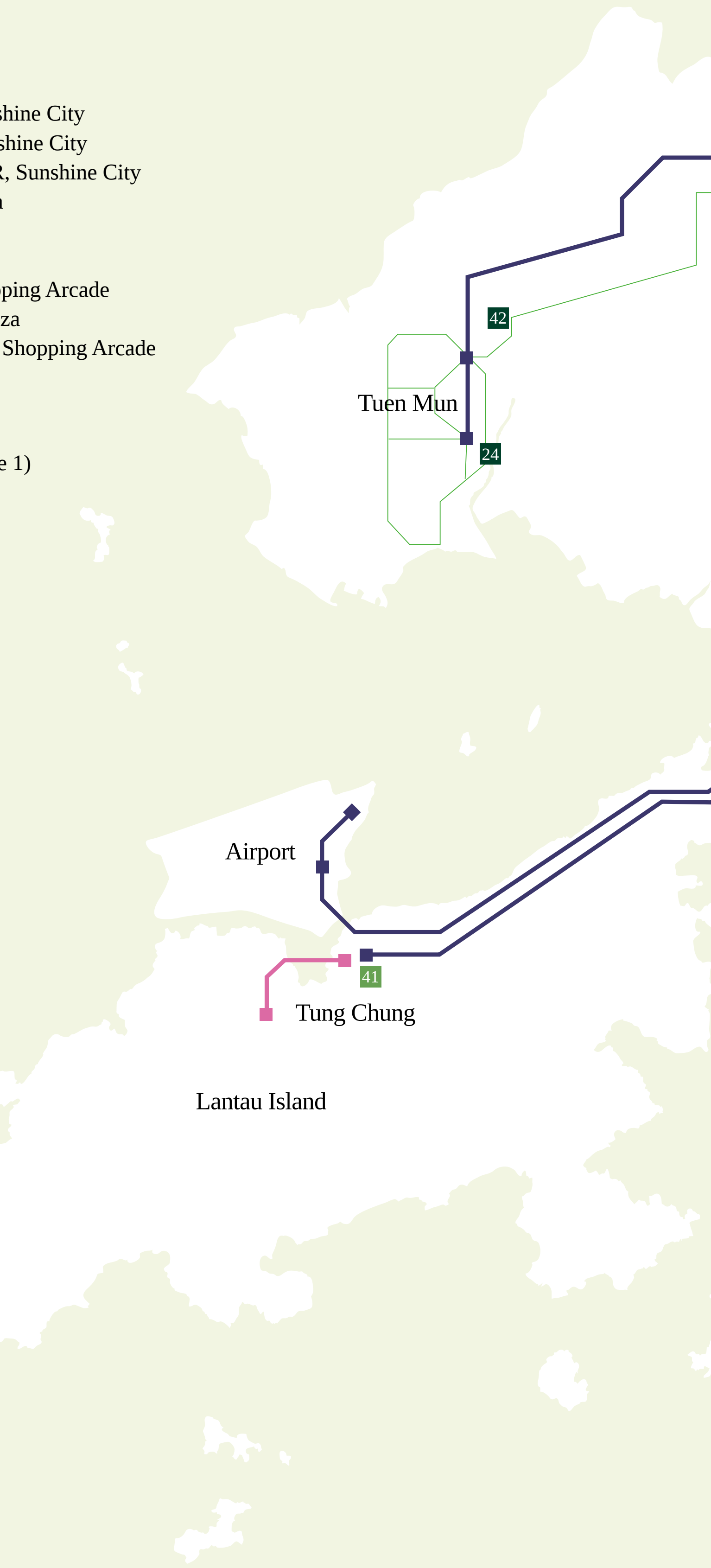
Name	Location	Lease expiry	Group's interest (%)	Attributable gross floor area (square feet): Residential/ Hotel Serviced Suite	Commercial	Office	Industrial/ Office	Total	Attributable no. of carpark
New Territories									
Fanling Centre	33 San Wan Road, Fanling	2047	100.00	-	151,513	-	-	151,513	302
Flora Plaza	88 Pak Wo Road, Fanling	2047	60.00	-	94,657	-	-	94,657	130
The Trend Plaza	Tuen Mun Heung Sze Wui Road, Tuen Mun	2047	100.00	-	195,280	-	-	195,280	78
Marina Cove	Lot No. 526 in D.D. No. 210, Sai Kung	2047	40.00	-	9,566 *(Note)*	-	-	9,566	151
City Landmark I	68 Chung On Street, Tsuen Wan	2047	74.96	-	138,555	156,981	-	295,536	100
City Landmark II	145-165 Castle Peak Road, Tsuen Wan	2047	100.00	-	155,022	-	-	155,022	85
Skyline Plaza	88 Tai Ho Road, Tsuen Wan	2047	100.00	-	154,259	-	-	154,259	104
Shatin Centre	2-16 Wang Pok Street, Sha Tin	2047	100.00	-	100,029	-	-	100,029	545
Shatin Plaza	21-27 Shatin Centre Street, Sha Tin	2047	77.55	-	114,730	-	-	114,730	67
Blocks A & B, Sunshine City	18 On Shing Street, Ma On Shan	2047	100.00	-	9,305	-	-	9,305	-
Blocks C & D Sunshine City	22 On Shing Street, Ma On Shan	2047	100.00	-	10,236	-	-	10,236	-
Blocks N, P, Q & R, Sunshine City	8 On Shing Street, Ma On Shan	2047	100.00	-	58,881	-	-	58,881	186
Sunshine City Plaza	18 On Luk Street, Ma On Shan	2047	100.00	-	532,637	-	-	532,637	829
Sunshine Bazaar	628 Sai Sha Road, Ma On Shan	2047	100.00	-	79,642	-	-	79,642	224
Citimall	1 Kau Yuk Road, Yuen Long	2047	100.00	-	140,341	-	-	140,341	51
La Cité Noble Shopping Arcade	1 Ngan O Road, Tseung Kwan O	2047	100.00	-	35,186	-	-	35,186	-
Dawning Views Plaza	23 Yat Ming Road, Fanling	2047	100.00	-	87,766	-	-	87,766	-
Metro City Phase 2 Shopping Arcade	8 Yan King Road, Tseung Kwan O	2047	100.00	-	956,849	-	-	956,849	669
The Metropolis, Metro City Phase 3 Shopping Arcade	8 Mau Yip Road, Tseung Kwan O	2047	100.00	-	266,954	-	-	266,954	233
Citygate	20 Tat Tung Road, Tung Chung, Lantau Island	2047	20.00	-	92,536	32,280	-	124,816	233
The Sherwood	8 Fuk Hang Tsuen Road, Tuen Mun	2052	100.00	-	30,139	-	-	30,139	250
Double Cove (Phase 1)	8 Wu Kai Sha Road, Ma On Shan	2047	59.00	-	58,121	-	-	58,121	328
			Total:	**425,937**	**3,973,764**	**2,967,675**	**914,690**	**8,282,066**	**5,826**

Note : In addition there are 121 pontoons and 30 hardstand spaces attributable to the Group.

Major Completed Investment Properties

Major Completed Investment Properties

1 Eva Court
2 Golden Centre
3 FWD Financial Centre
4 AIA Tower
5 One International Finance Centre
6 Two International Finance Centre
7 Four Seasons Place
8 CentreStage
9 39 Conduit Road
10 Mira Moon
11 Hollywood Plaza
12 Winning Centre
13 Well Tech Centre
14 Big Star Centre
15 Dragon Centre
16 Manulife Financial Centre
17 78 Hung To Road
18 Bamboos Centre
19 AIA Financial Centre
20 Cité 33
21 The Sparkle
22 Fanling Centre
23 Flora Plaza
24 The Trend Plaza
25 Marina Cove
26 City Landmark l
27 City Landmark ll
28 Skyline Plaza
29 Shatin Centre
30 Shatin Plaza
31 Blocks A & B, Sunshine City
32 Blocks C & D, Sunshine City
33 Blocks N, P, Q, & R, Sunshine City
34 Sunshine City Plaza
35 Sunshine Bazaar
36 Citimall
37 La Cité Noble Shopping Arcade
38 Dawning Views Plaza
39 Metro City Phase 2 Shopping Arcade
40 The Metropolis
41 Citygate
42 The Sherwood
43 Double Cove (Phase 1)



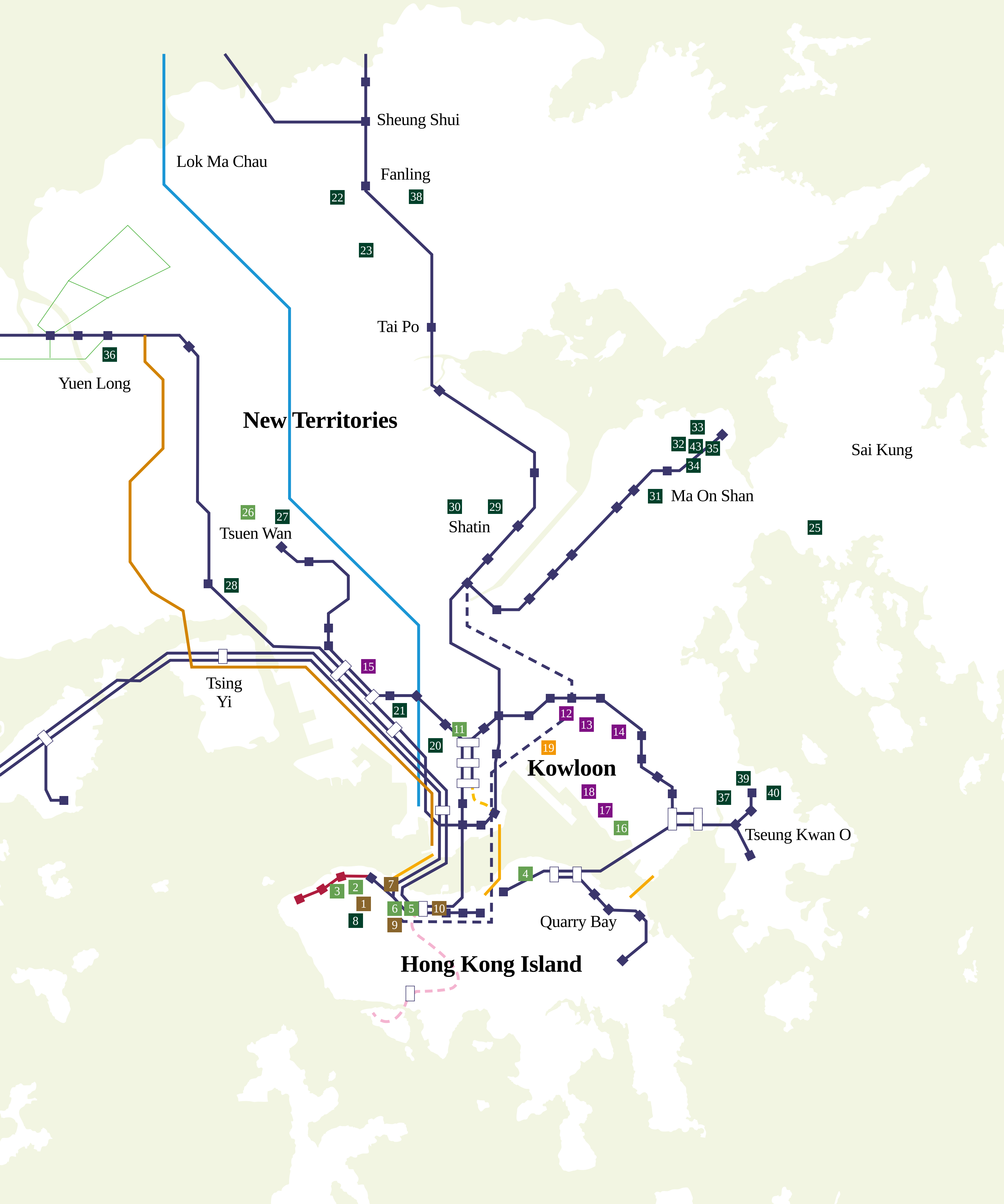
Residential / Hotel Serviced Suites
Commercial
Office
Industrial / Office & Industrial
Commercial & Office

Existing Line

MTR
Tung Chung Cable Car
Light Rail
Route 3
Cross Harbour Tunnel

Network Extensions In Progress

West Island Line
Guangzhou – Shenzhen – Hong Kong Express Rail Link
Shatin to Central Link
Kwun Tong Line Extension
South Island Line (East)


Sheung Shui
Lok Ma Chau
Fanling
Tai Po
Yuen Long
New Territories
Sai Kung
Ma On Shan
Tsuen Wan
Shatin
Tsing
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Kowloon
Tseung Kwan O
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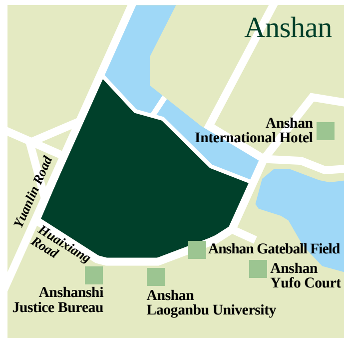
XUZHOU LAKEVIEW DEVELOPMENT, XUZHOU

Progress of Major Development Projects

Anshan

Arc De Triomphe (formerly known as the project at Old Stadium Site) (100% owned)

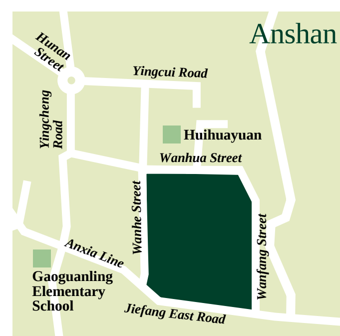
Arc De Triomphe, Anshan (artist's impression)



Adjacent to the scenic Yufoshan municipal park, this site in the city centre will be developed in phases into a high-end residential community with a total gross floor area of approximately 3,500,000 square feet. The first phase of a 23,000-square-foot sale centre was completed in the second quarter of 2014. Phase 2, with 1,200,000 square feet of residences, commenced its construction in 2013 with the scheduled completion in the fourth quarter of 2016. Up to the end of 2013, approximately 120 housing units with the gross floor area of about 191,000 square feet were sold, bringing a total sales revenue of over RMB130 million.

Project in Yingchengzi (100% owned)

Project in Yingchengzi, Anshan (artist's impression)



Located in the Tiedong District with a site area of approximately 5,500,000 square feet, it will be developed in phases into a large scale residential community with a total developable gross floor area of about 14,000,000 square feet. Preliminary design is in progress.

Changsha

The Arch of Triumph (100% owned)

The Arch of Triumph, Changsha

The Arch of Triumph is a community development with around 7,000,000 square feet of premium residential units to be built in three phases and its 33-storey Arc de Triomphe-style building is a landmark construction in this new town of Xingsha. Phase one development consisting of 1,270,000 square feet of residential flats have mostly been handed over to the buyers since the third quarter of 2010, while over 30,000 square feet of commercial facilities had been completed and has come into operation since the end of 2011. Construction of another approximately 1,650,000 square feet of residential flats in phase two began in July 2011, which have been released in batches for sale since June 2012. Phase 2A was completed in the fourth quarter of 2013, whilst Phase 2B is expected to be completed in the first quarter of 2015. At the end of December 2013, around 840 residential units in phase two had been sold, bringing a total sales revenue of approximately RMB432 million. Phase 3 will further provide approximately 3,270,000 square feet of residential area, in addition to 360,000 square feet of serviced apartments, commercial facilities and primary school. Construction for Phase 3 is scheduled to commence in the second quarter of 2014 and they will be completed successively during the period from 2017 to 2020.

Chengdu

Chengdu ICC (30% owned)

Chengdu ICC, Chengdu (artist's impression)

Chengdu ICC is situated in a prime area of Dongda Road commercial and financial district near the Second Ring Road and River Shahe, with a panoramic view of Tazishan Park. It will be connected to a metro station linking the Line No. 2 and the proposed Line No.8, and will be just two stops from the Chengdu East rail station, offering easy access to other parts of the country. This project will have over 13,000,000 square feet of gross floor area, including two distinctive 280-metre towers regarded as the "Tianfu Gateway". The development will include Grade-A offices, modern shopping malls, a five-star hotel, an observation deck and luxury residences. Construction of the first-phase deluxe residential development "Sirius" with about 1,600,000 square feet of gross floor area has already commenced. It was greeted with good market response since it was launched for sale in April 2012. Approximately 540 residential units with a total gross floor area of around 833,000 square feet were sold by the end of 2013, generating an accumulative gross revenue of approximately RMB815 million. The first batch of residential units will be handed over to buyers in the first quarter of 2014.

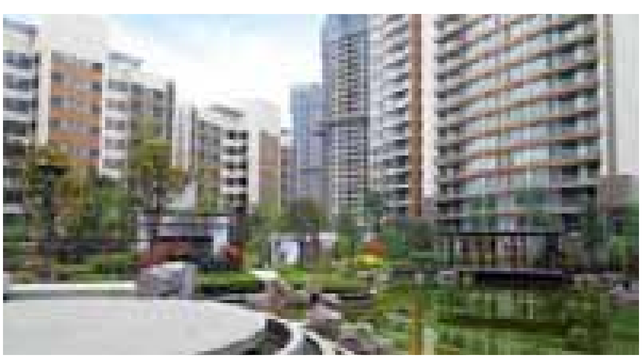
Chongqing

Grand Waterfront (100% owned)

Grand Waterfront, Chongqing

Adjacent to a municipal park in Nan'an District, Grand Waterfront will be a luxury riverside residential development, complemented by commercial facilities, a kindergarten and clubhouses. The uniquely-designed, rhythmic grouping of its 23 apartment towers will offer most of its 3,050 residential units an expansive southern view of the Yangtze River. The whole project, with the gross floor area of about 3,600,000 square feet, will be completed in four phases. Phase 1, with about 1,100,000 square feet for 892 apartments, was completed in the third quarter of 2012. Phase 2, which provides 1,358 apartments with the gross floor area of about 1,600,000 square feet, is now under construction and planned for completion in the fourth quarter of 2014. Phase 3, providing about 528 apartments with the gross floor area of about 600,000 square feet, is now under construction and planned for completion in the third quarter of 2015. Phase 4, with approximately 300,000 square feet for 272 apartments, is scheduled for completion in the third quarter of 2015. During the year of 2013, a total of around 1,050 apartments had been sold at approximately RMB742 million in aggregate.

Project in Erlong Phoenix Area (100% owned)



Project in Erlong Phoenix Area, Chongqing

Located on a site next to the Chengdu-Chongqing Expressway with many scenic attractions, such as Caiyun Lake and Jade Park in the proximity, this 2,870,000-square-foot development is planned to comprise residential apartments, clubhouses, a kindergarten and commercial facilities, providing homes for 2,068 families. The entire project will be completed in four phases and Phase 1, including 306 residential units with the gross floor area of about 520,000 square feet, was named "Villa Green" and completed in 2011 and cumulatively over 90% of it has been sold. Remaining phases were named "High West". Phase 2, comprising 994 apartments with the gross floor area of about 1,300,000 square feet, is now under construction and planned for completion in the third quarter of 2014. Phase 3, providing about 768 apartments with the gross floor area of about 850,000, is now under construction and planned for completion in the third quarter of 2014. There is a single office tower in Phase 4 with the gross floor area of about 200,000 square feet, which is now under construction and planned for completion in the fourth quarter of 2014. During the year of 2013, a total about 1,350 apartments had been sold at approximately RMB844 million in aggregate.

Dalian

Jin Shi Tan project (100% owned)

Jin Shi Tan project, Dalian (artist's impression)

In Jin Shi Tan, a site of about 3,200,000 square feet is planned to be developed into a low-density luxury residential project, complemented by a resident clubhouse and commercial facilities, providing an aggregate gross floor area of about 1,600,000 square feet for about 400 households. Site preliminary works are in progress.

Xiao Yao Bay Composite Development (100% owned)

Designed by world-renowned Aedas Limited, this composite commercial and residential development project will have approximately 8,700,000 square feet of gross floor area.

Guangzhou

Haizhu Plaza (100% owned)

Located at the heart of Central Business District in Yuexiu District, Guangzhou, this prestigious mixed-use development has convenient assess to the Pearl River; as well as the Haizhu Square Metro Station, which will offer excellent transport connections and beautiful riverfront scenery. With a total gross floor area of over 2,040,000 square feet, this integrated complex comprising commercial, entertainment, leisure and cultural facilities will be a major landmark in Guangzhou.

Hangzhou

Henderson CIFI Palace (51% owned)

Henderson CIFI Palace, Hangzhou (artist's impression)

In Yuhang Chongxian New Town, a residential and commercial site of about 930,000 square feet will be built into a composite development with about 2,200 housing units and commercial facilities, providing a total gross floor area of over 2.3 million square feet. It is due for a single-phased completion in the fourth quarter of 2015.

Nanjing

Treasure Garden (90.1% owned)

Treasure Garden, Nanjing

Located in the downtown area of Qixia District, this residential development boasts a total gross floor area of about 900,000 square feet. With Maigaoqiao Metro Station nearby, this project is situated close to plenty of lifestyle and daily amenities such as shopping, healthcare, cultural and sports facilities. Construction has already commenced in 2011 and pre-sale was launched in 2012. Up to the end of 2013, around 590 housing units with a total gross floor area of about 860,000 square feet were sold, generating a gross revenue of approximately RMB1,074 million. It was completed in the fourth quarter of 2013.

Emerald Valley (100% owned)

Emerald Valley, Nanjing

Located in Nanjing Xianlin New District, this approximately 1,600,000 square feet land lot will be developed into a high-end residential project, complemented by a nursery, amenities and a community centre and other facilities, providing an aggregate gross floor area of about 1,250,000 square feet. With the relocation of universities and colleges into this district and the opening of Xianlin subway station in 2010, this university town’s community facilities and transportation network is being further enhanced. Phase 1 development, which commenced its construction in 2010, was completed in 2013. Up to the end of 2013, around 380 housing units with a total gross floor area of about 490,000 square feet were sold, making a gross revenue of approximately RMB508 million. With the master layout plan approved, Phase 2 development was planned to commence its construction in March 2014. It is scheduled to pre-sale within 2014.

Shanghai

Henderson 688 (100% owned)

Henderson 688, Shanghai (artist's impression)

"Henderson 688" is a property situated at the prestigious Nanjing Road West in Jingan District. Designed by internationally renowned Japanese architect Tange Associates, it has an aesthetic "progressive staircase" design and a glittering facade from many perspectives. It will have a total gross floor area of approximately 700,000 square feet upon scheduled completion in 2014. Pre-leasing has been launched and the response has been good. Several renowned dining outlets have already signed up for spaces in the mall, providing complementary facilities to the office tenants of the property.

Hongqiao Central Business District Project (50% owned)

In Minhang District, a residential and commercial site of about 910,000 square feet in Hongqiao Central Business District will be developed into office space of 1,460,000 square feet, complemented with luxury apartments, offering a total gross floor area of over 1.8 million square feet.

Shenyang

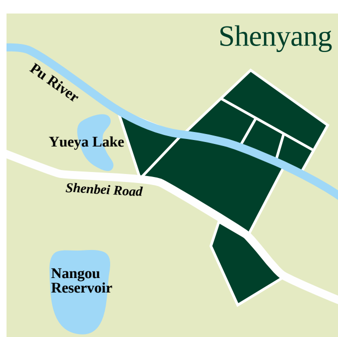
Shenyang International Finance Centre (100% owned)

Shenyang International Finance Centre, Shenyang (artist's impression)

The Shenyang International Finance Centre project is located in the Shenyang Finance & Trade Development Zone. To the northwest is the Shenyang North Railway Station, whilst a subway station is also within walking distance, bringing added convenience to this project. This project will comprise serviced apartment buildings, a suite hotel, an office tower and a shopping mall, providing a total gross floor area of about 3,140,000 square feet.

Golden Riverside (100% owned)

Golden Riverside, Shenyang (artist's impression)



Located in the scenic Puhe New District Development with many beautiful natural landmarks such as Yueya Lake, Pu River, parks and hills within the vicinity, the site will be developed in phases into a low-rise and low-density residential development with a total gross floor area of about 7,930,000 square feet. Its first phase of development, with a total gross floor area of about 260,000 square feet for its 68 low-rise residential units, is due for completion in the fourth quarter of 2014. Construction of its second phase of development, comprising 316 low-rise, low-density and multi-storey apartments with a total gross floor area of around 1,150,000 square feet, is planned for completion in the fourth quarter of 2015. Full-scale sales campaign will be launched in 2014.

Suzhou

Riverside Park (100% owned)

Riverside Park, Suzhou

Riverside Park, a community development project in Xiangcheng District, is supported by increasingly improved facilities. Benefiting from Suzhou's picturesque beauty and reputation as the "Venice of the East", its residential development nestles among scenic water-themed surroundings. The entire residential project will have over 6,800,000 square feet of gross floor area to be completed in six phases. Phase 1 of about 900 luxury residences with the gross floor area of about 1,100,000 square feet was completed in batches in the first half of 2012 and the third quarter of 2013. Phase 2 and Phase 3 were launched for pre-sale in the fourth quarter of 2012 and the second quarter of 2013, respectively. During the year of 2013, about 900 units with a gross floor area of close to 1,100,000 square feet in aggregate were sold, bringing a total sales revenue of approximately RMB915 million.

Adjacent to the residential community of Riverside Park, a land parcel of 1,600,000 square feet will be developed in phases into a composite commercial development. There will be retail avenue, shopping mall, catering and entertainment facilities, office tower, serviced suites, plaza for outdoor activities as well as other supporting facilities, providing a total commercial gross floor area of about 10,000,000 square feet. Upon completion, it will also have a direct access to a light-rail station, which is now under construction. Foundation works for Phase 1 of about 1,240,000 square feet have commenced and pre-sale will be launched in the fourth quarter of 2014.

Tieling

New Town Central District Development (100% owned)

New Town Central District Development, Tieling (artist's impression)

Located next to the administration centre of the municipal government with the scenic Yuyi Lake in the proximity, this land lot of approximately 2,750,000 square feet will be developed into an exhibition centre, as well as office-cum-commercial complexes with a total gross floor area of approximately 4,900,000 square feet. The first phase of about 380,000 square feet is expected to commence in the third quarter of 2014.

Lotus Lakeside (100% owned)

Lotus Lakeside, Tieling (artist's impression)

Adjacent to the scenic Lotus Lake, a land parcel of approximately 9,500,000 square feet will be developed into a low-density residential community with luxury villas and comprehensive facilities, providing a total gross floor area of approximately 3,800,000 square feet.

Xian

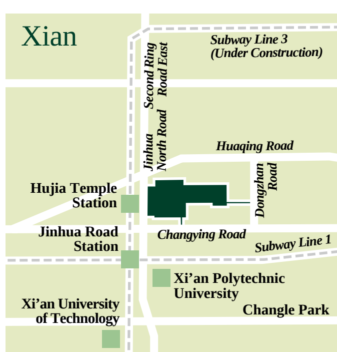
La Botanica, Chan River (50% owned)

La Botanica, Chan River, Xian

Jointly developed by the Group and CapitaLand Township Pte Ltd, La Botanica is located within the scenic Chan Ba Ecological District. This community development is connected with city centre by No. 1 Metro Line which was already in operation. This community development will have a total gross floor area of about 33,000,000 square feet, providing homes for up to 29,000 families upon full completion. Phase 1A with approximately 1,190,000 square feet was completed in 2011. Phase 2A and Phase 1B(C1), with a total gross floor area of about 1,810,000 square feet, were completed in 2012. Both Phase 1B(C2) and Phase 3A(C2), with a total gross floor area of about 2,920,000 square feet, were completed in 2013. Phase 4 and Phase 5 consisting of 1,640,000 square feet and 720,000 square feet of residences are now under construction, and are expected to be completed in 2015 and 2014 respectively.

Palatial Crest (100% owned)

Palatial Crest, Xian



Adjacent to the Hujia Temple subway station, which is now under construction, Palatial Crest is conveniently located at Jinhua North Road on the main artery of Second Ring Road East. The entire project will be completed in three phases, offering a total residential gross floor area of over 3,470,000 square feet for approximately 2,740 families. The first phase of about 530,000 square feet was sold out and completed in 2012. Construction of another 2,160,000 square feet of deluxe high-rise residential units in phase two commenced in the first quarter of 2012. Up to the end of 2013, around 750 units of this phase were sold, bringing a sale revenue of approximately RMB660 million. Phase 2A development is scheduled for completion in the third quarter of 2014, whilst Phase 2B development is planned for hand-over in the second quarter of 2015. Phase 2C (including clubhouse), which will commence construction in the first quarter of 2014, is set for completion at the end of 2016. Phase 3, with approximately 770,000 square feet of deluxe high-rise residential flats, is also planned to commence construction in the third quarter of 2014. They will be handed over to buyers in two batches in the third quarter of 2017 and the third quarter of 2018, respectively.

Xuzhou

Xuzhou Lakeview Development (100% owned)

Xuzhou Lakeview Development, Xuzhou

Catering to mid to high-end home buyers, Xuzhou Lakeview Development benefits from the beautiful natural landscape of Dalong Lake, convenient transportation and comprehensive range of facilities. The project, which includes luxury detached houses, high-rise apartments, commercial premises and other facilities, will be completed in four phases, providing a total residential area of approximately 4,500,000 square feet for over 3,600 families. Phase 1A of about 700,000 square feet for 402 residences was completed in 2013. Construction of another 1,800,000 square feet for 1,290 premium residences in Phase 1B and Phase 3 is now underway with the planned completion in the second half of 2014. Phase 2A, with the gross floor area of 900,000 square feet for 811 premium residences, has been under construction since the second quarter of 2013. Another 1,200,000 square feet comprising 1,060 premium residences in Phase 2B commenced construction in January 2014. Commercial area of about 610,000 square feet is also under construction and upon the planned completion of this Phase 4 development in the third quarter of 2015, it will provide entertainment and shopping areas, as well as catering facilities. Up to the end of 2013, around 1,980 housing units were sold, achieving a gross revenue of approximately RMB1,761 million.

Yixing

Island Palace (100% owned)

Island Palace, Yixing

In a serene location on an island close to the bustling Yicheng town centre, this site of about 400,000 square feet is being developed into a luxury residential community and upon its single-phased completion by the second quarter of 2014, there will be villas, duplexes and high-rise apartments and a residents' clubhouse, providing a total gross floor area of about 700,000 square feet for 306 households. Up to the end of 2013, around 40 units with a total gross floor area of around 110,000 square feet were sold, fetching a total sales amount of approximately RMB92 million.

Grand Lakeview (100% owned)

Grand Lakeview, Yixing

Set amongst lush, tranquil surroundings in Dongjiu District, Grand Lakeview is just a 5-minute drive away from the city centre. To be completed in 11 phases, this lakefront development offers luxury living in a mix of semi-detached and duplex houses, multi-storey and low-rise apartments, providing an aggregate gross floor area of about 9,000,000 square feet for over 6,800 families. Construction is underway and Phases 1A/1B/1C with about 1,800,000 square feet of residences was completed in the fourth quarter of 2013. Up to the end of 2013, around 1,270 units with a total gross floor area of about 1,640,000 square feet were sold and its sales amounted to approximately RMB1,219 million. Development of Phase 1D, with a total of about 270,000 square feet of residences and 50,000 square feet of commercial facilities, will be launched for pre-sale in the third quarter of 2014 with the scheduled completion in the fourth quarter of 2015. Phase 2 development is also planned to start construction in 2014.

Major Completed Investment Properties

Name	Location	Lease expiry	Group's interest (%)	Attributable gross floor area (square feet) Commercial	Office	Total	Carparks
Beijing							
World Financial Centre	No. 1 East Third Ring Middle Road, Chaoyang District	2044	100.00	187,338	1,975,212	2,162,550	-
Henderson Centre	No. 18 Jian Guo Men Nei Avenue, Dongcheng District	2033	100.00	888,658	-	888,658	244,573
Shanghai							
Henderson Metropolitan	No. 300 Nanjing Road East, Huangpu District	2053	100.00	425,396	429,109	854,505	181,143
2 Grand Gateway	No. 3 Hong Qiao Road, Xuhui District	2043	100.00	-	687,981	687,981	-
Centro	No. 568 Heng Feng Road, Zhabei District	2042	100.00	65,467	368,658	434,125	74,938
Greentech Tower	No. 436 Heng Feng Road, Zhabei District	2042	100.00	52,922	355,883	408,805	71,016
Skycity	No. 547 Tian Mu Road West, Zhabei District	2042	100.00	293,448	142,353	435,801	93,782
Guangzhou							
Heng Bao Plaza	No. 133 Bao Hua Road, Liwan District	2040	100.00	699,875	-	699,875	216,157
			Total:	**2,613,104**	**3,959,196**	**6,572,300**	**881,609**

Business Model and Strategic Direction

Business Model

Henderson Land has established a diversified business model which comprises "three pillars" namely, property investment, strategic investments and property development in both Hong Kong and mainland China. The property investment business and strategic investments provide a reliable and growing income source to the Group, while the property development business is a dynamic profit driver.

The Group's property development business in Hong Kong is vertically integrated, enabling the design, development, construction, sales and management of development projects to be executed in an efficient manner. The Group applies a cost effective approach of land banking by acquiring old buildings for redevelopment in the urban areas and converting the land-use of New Territories land in order to obtain development land sites at a reasonable cost. For mainland China projects, the Group focuses on large-scale residential developments in the second and third-tier cities, which are characterised by a preponderance of middle class residents, whilst also owning a premier portfolio of commercial investment properties in the first-tier cities.

In Hong Kong, the Group's substantial and diverse property investment portfolio mainly comprises offices and shopping arcades in prime locations, as well as a number of large-scale shopping malls located in strategic locations above or adjacent to MTR stations. The Group also owns a number of residential properties and industrial/office buildings, making its investment portfolio more balanced and diversified. In mainland China, the Group owns exceptionally well designed and quality large-scale commercial complexes situated in prime locations for rental purposes.

As regards strategic investments, the Group is the largest shareholder of three listed companies, namely, The Hong Kong and China Gas Company Limited ("HKCG"), Miramar Hotel and Investment Company, Limited ("Miramar") and Hong Kong Ferry (Holdings) Company Limited ("HKF"). HKCG is engaged in the production and distribution of gas in Hong Kong and mainland China. Miramar is engaged in property investment, hotel operation and food and beverage operations. HKF is engaged in property development and investment. HKCG, being a public utility company, provides a very substantial income to the Group.

Strategic Direction

The Group is dedicated to maximising value for shareholders over the long term by executing the following strategies:

Building for a sustainable future with reasonable land costs

Instead of bidding for land at high prices through public auctions or tenders, the Group has chosen to replenish its land bank by acquiring old tenement buildings for redevelopment and applying for land-use conversion for its portfolio of New Territories land. Although this approach of land banking may require a relatively longer period of time to fulfill its objectives as compared to participating in public tenders, it ensures a more reliable source of land supply with a reasonable acquisition cost, which is beneficial to the Group's development returns in the long term.

As a sustainable property developer, the Group is highly proactive in its commitment to environmental stewardship during the process of its development activities, and carefully anticipates the needs and concerns of society.

Locating prime sites for property investment with a stable income stream

The Group's property investment portfolio is well diversified with commercial and residential properties situated in prime locations, generating a recurring and steady income stream. Furthermore, the hotel and department store businesses directly operated by the Group at its properties serve to maximise the value and occupancy rate of the Group's investment properties.

Expanding the mainland China market

Property development and property investment in mainland China provide the Group with potential for territorial expansion. The Group will actively seek to expand its land bank in the mainland China, targeting projects for first time home buyers and upgraders. Apart from developing properties on its own, the Group will continue looking for new joint-venture projects with local property developers.

Holding of strategic investment for constant return

The investments in the three listed associates, HKCG, Miramar and HKF, provide stable and constant returns for the Group. The distinctive business nature of HKCG, in particular, is a supplement to the Group's core businesses of property development and property investment and allows Henderson Land to smooth out the cyclicality of the Group's property development business.

Conservative financial strategy

The Group employs a conservative funding and treasury strategy. It consistently keeps a low to moderate financial gearing ratio with abundant unutilised committed banking facilities in place that are of medium term in tenor. The Group maintains an excellent ongoing relationship with the major commercial banks while endeavouring to diversify its funding sources through debt issuance in different financial markets.

Financial Review

Management discussion and analysis

Results of operations

The following discussions should be read in conjunction with the Company's audited consolidated accounts for the year ended 31 December 2013.

Turnover and profit

	Turnover			Contribution/(loss) from operations		
	Year ended 31 December		*Increase/*	**Year ended 31 December**		*Increase/*
	2013	2012	*(Decrease)*	**2013**	2012	*(Decrease)*
	HK$ million	HK$ million	*%*	**HK$ million**	HK$ million	*%*
Reportable segments						
– Property development	**15,743**	8,708	*+81%*	**2,952**	2,306	*+28%*
– Property leasing	**4,994**	4,494	*+11%*	**3,670**	3,107	*+18%*
– Construction	**1,290**	761	*+70%*	**(26)**	(50)	*+48%*
– Infrastructure	**–**	63	*-100%*	**(41)**	9	*-556%*
– Hotel operation	**194**	240	*-19%*	**57**	94	*-39%*
– Department store operation	**399**	373	*+7%*	**79**	67	*+18%*
– Other businesses	**669**	953	*-30%*	**134**	818	*-84%*
	23,289	15,592	*+49%*	**6,825**	6,351	*+7%*

	Year ended 31 December		
	2013	2012	*Increase/*
		(restated)	*(Decrease)*
	HK$ million	HK$ million	*%*
Profit attributable to equity shareholders of the Company			
– including the Group's attributable share of changes in fair value of investment properties and investment properties under development (net of deferred taxation) held by the Group's subsidiaries, associates and joint ventures	**15,948**	20,201	*-21%*
– excluding the Group's attributable share of changes in fair value of investment properties and investment properties under development (net of deferred taxation) held by the Group's subsidiaries, associates and joint ventures	**8,938**	7,091	*+26%*

Excluding the effects of certain one-off items from the underlying profit attributable to shareholders for the years ended 31 December 2013 and 2012, the adjusted underlying profit attributable to shareholders for the two financial years is as follows:

	Year ended 31 December			
	2013	2012	*Increase/(Decrease)*	
	HK$ million	HK$ million	*HK$ million*	*%*
Underlying profit attributable to shareholders (2012 – restated)	**8,938**	7,091	*1,847*	*+26%*
Less: One-off income items –				
Overdue interest income in relation to the refund of land deposits regarding land sites in mainland China (net of tax)	**35**	221	*(186)*	
Dividend income received from the Group's investment in a property development project in Hong Kong	**–**	215	*(215)*	
The Group's attributable share of an aggregate net one-off gain from The Hong Kong and China Gas Company Limited ("HKCG"), an associate of the Group	**–**	128	*(128)*	
Gain on disposal of subsidiaries	**667**	187	*480*	
Gain on bargain purchase arising from the acquisition of additional interests in Hong Kong Ferry (Holdings) Company Limited ("HK Ferry") and Miramar Hotel and Investment Company, Limited ("Miramar")	**158**	–	*158*	
Add: One-off expense item –				
Impairment loss in relation to an investment in available-for-sale equity securities	**344**	–	*344*	
Adjusted underlying profit attributable to shareholders	**8,422**	6,340	*2,082*	*+33%*

Discussions on the major reportable segments are set out below.

Property development

The gross revenue from property sales during the years ended 31 December 2013 and 2012 generated by the Group's subsidiaries, and by geographical contribution, is as follows:

	Year ended 31 December			
	2013	2012	*Increase*	
	HK$ million	HK$ million	*HK$ million*	*%*
Hong Kong	**10,570**	6,784	*3,786*	*+56%*
Mainland China	**5,173**	1,924	*3,249*	*+169%*
	15,743	8,708	*7,035*	*+81%*

The increase in revenue contribution from property sales in Hong Kong is mainly attributable to the turnover contribution from the sales of property units of "Double Cove" Phase 1 and "The Reach" in the aggregate amount of HK$9,365 million for the reason that the occupation permits of these two projects were issued during the year ended 31 December 2013, which effect is nevertheless being partially offset by the decrease in turnover contribution from other projects sold in the previous year.

The significant increase in revenue contribution from property sales in mainland China is attributable to the sales and delivery to buyers of property units sold in four projects which were completed during the year ended 31 December 2013, namely "Emerald Valley" Phase 1 in Nanjing, "Xuzhou Lakeview Development" Phase 1A in Xuzhou, "Treasure Garden" Phase 1 in Nanjing and "Grand Lakeview" Phase 1A in Yixing, which altogether contributed additional turnover in the amount of HK$4,002 million for the year.

The Group's share of pre-tax profits from subsidiaries (after deducting non-controlling interests), associates and joint ventures during the years ended 31 December 2013 and 2012 is as follows:

	Year ended 31 December			
	2013	2012	*Increase/(Decrease)*	
	HK$ million	HK$ million	*HK$ million*	*%*
By geographical contribution:				
Hong Kong	**3,503**	2,211	*1,292*	*+58%*
Mainland China	**408**	80	*328*	*+410%*
	3,911	2,291	*1,620*	*+71%*
From subsidiaries (after deducting non-controlling interests), associates and joint ventures:				
Subsidiaries	**2,810**	2,176	*634*	*+29%*
Associates	**18**	36	*(18)*	*-50%*
Joint ventures	**1,083**	79	*1,004*	*+1,271%*
	3,911	2,291	*1,620*	*+71%*

The Group's share of pre-tax profit from associates is mainly generated from the sales of property units of "Shining Heights" and "The Spectacle", all being completed property projects held by HK Ferry. The Group's share of pre-tax profit from joint ventures is mainly generated from the sales of property units of "La Botanica" in Xian, mainland China and "Global Trade Square" in Hong Kong, in each of which the Group has a 50% equity interest.

Property leasing

The gross revenue from property leasing during the years ended 31 December 2013 and 2012 generated by the Group's subsidiaries, and by geographical contribution, is as follows:

	Year ended 31 December			
	2013	2012	*Increase*	
	HK$ million	HK$ million	*HK$ million*	*%*
Hong Kong	**3,691**	3,332	*359*	*+11%*
Mainland China	**1,303**	1,162	*141*	*+12%*
	4,994	4,494	*500*	*+11%*

The Group's share of pre-tax net rental income from subsidiaries (after deducting non-controlling interests), associates and joint ventures during the years ended 31 December 2013 and 2012 is as follows:

	Year ended 31 December			
	2013	2012	*Increase*	
	HK$ million	HK$ million	*HK$ million*	*%*
By geographical contribution:				
Hong Kong	**4,534**	4,031	*503*	*+12%*
Mainland China	**1,071**	867	*204*	*+24%*
	5,605	4,898	*707*	*+14%*
From subsidiaries (after deducting non-controlling interests), associates and joint ventures:				
Subsidiaries	**3,665**	3,101	*564*	*+18%*
Associates	**610**	563	*47*	*+8%*
Joint ventures	**1,330**	1,234	*96*	*+8%*
	5,605	4,898	*707*	*+14%*

The increase in gross revenue and pre-tax net rental income in Hong Kong is mainly attributable to the year-on-year increase in average rentals in relation to the portfolio of investment properties in Hong Kong during the year ended 31 December 2013. The increase in gross revenue and pre-tax net rental income in mainland China is mainly attributable to year-on-year improvement in the average occupancies and rentals of "World Financial Centre" and "Henderson Centre" in Beijing as well as "Greentech Tower" in Shanghai during the year ended 31 December 2013.

Construction

The increase in turnover and the decrease in loss from operations for the year ended 31 December 2013, compared with those for the corresponding year ended 31 December 2012, are mainly attributable to the following:

(i) the increased turnover contribution in the aggregate amount of HK$577 million during the year arising from the construction contracts undertaken for the Group's two development projects, namely Phases 1, 2 and 3 of "Double Cove" and "The Reach", and for HK Ferry's development project, namely "Green Code";

(ii) the decrease in the depreciation charge on construction plant and machinery of HK$14 million during the year for the reason that certain construction plant and machinery have become fully depreciated during the year in accordance with the Group's accounting policies; and

(iii) the savings in operating and administrative expenses by HK$5 million during the year.

Infrastructure

The Group's infrastructure business represents the operation of a toll bridge in Hangzhou, mainland China, which is held by Henderson Investment Limited ("HIL"), a subsidiary of the Group.

Consequential upon the failure of the relevant authority to put forward any formal proposal or compensation offer regarding the toll fee collection right of the toll bridge, for the sake of prudence, the toll revenue commencing from 20 March 2012 (including the toll revenue for the year ended 31 December 2013) has not been recognised in the Group's accounts. Hence, the turnover contribution for the year ended 31 December 2013 was nil as compared to HK$63 million (being the toll revenue, net of mainland China business tax, for the period from 1 January 2012 to 19 March 2012) for the corresponding year ended 31 December 2012.

Notwithstanding the provisional suspension in the payment of toll revenue to the Group during the year ended 31 December 2013, the toll revenue generated by the toll bridge held by HIL during the year ended 31 December 2013 amounted to HK$318 million (2012: HK$317 million), representing an increase of HK$1 million or 0.3% over that for the corresponding year ended 31 December 2012. The average daily traffic volume of the toll bridge during the year ended 31 December 2013 was 77,376 vehicles (2012: 77,615 vehicles), representing a year-on-year decrease of 0.3% for the reason that the monthly traffic volume of the toll bridge recorded a month-on-month decrease of between 2% and 4% during the second half of 2013, due to (i) the record high temperatures of July and August which hampered the activity of travellers using the toll bridge; and (ii) the road construction works in the neighbouring area of the toll bridge during the period from September to December which resulted in a decrease in commuters using the toll bridge.

For the financial performance of the Group's infrastructure business for the year ended 31 December 2013, please refer to the paragraph headed "Henderson Investment Limited ("HIL")" under the Chairman's Statement on page 29 of the Company's annual report for the year ended 31 December 2013 of which this Financial Review forms a part.

Hotel operation

Turnover and profit contribution for the year ended 31 December 2013 decreased by HK$46 million (or 19%) and HK$37 million (or 39%), respectively, from that for the corresponding year ended 31 December 2012. During the year ended 31 December 2013, the Group's three Newton hotels recorded a steady average room rate but with a lower occupancy rate, mainly due to growing competition in its sector posed by newly-built hotels.

Department store operation

Turnover and profit contribution for the year ended 31 December 2013 increased by HK$26 million (or 7%) and HK$12 million (or 18%), respectively, over that for the corresponding year ended 31 December 2012. Such increases are mainly attributable to (i) the opening of one new Citistore outlet at Tuen Mun from its previous operation as an "id:c" specialty store after the completion of renovation in April 2013; and (ii) the positive effect of the promotional events, improved merchandise mix and enhanced customer service standards of the Citistore outlets during the year ended 31 December 2013.

Other businesses

Other businesses mainly comprise provision of finance, investment holding, project management, property management, agency services, cleaning and security guard services, as well as the trading of building materials and disposal of leasehold land.

Turnover for the year ended 31 December 2013 decreased by HK$284 million, or 30%, from that for the corresponding year ended 31 December 2012 which is mainly attributable to the non-recurrence in 2013 of a dividend income of HK$215 million received during the year ended 31 December 2012 from the Group's investment in a property development project in Hong Kong.

However, profit contribution for the year ended 31 December 2013 decreased by HK$684 million, or 84%, from that for the corresponding year ended 31 December 2012. Besides the abovementioned non-recurrent dividend income, this is mainly attributable to the following:

(i) the Group received an overdue interest income (before tax) of HK$47 million during the year (2012: HK$247 million) in relation to the refund of a land deposit regarding a land site in mainland China, which resulted in a decrease in profit contribution of HK$200 million for the year; and

(ii) the Group recognised an impairment loss of HK$344 million (2012: Nil) in relation to an investment in available-for-sale equity securities, on the basis that there is a prolonged decline in the fair value of such investment below its cost, and hence resulting in a decrease in profit contribution of HK$344 million for the year.

Associates

The Group's share of post-tax profits less losses of associates during the year ended 31 December 2013 amounted to HK$3,669 million (2012 (restated): HK$4,041 million), representing a decrease of HK$372 million, or 9%, from that for the corresponding year ended 31 December 2012. Excluding the Group's attributable share of changes in fair value of investment properties held by the associates of HK$552 million during the year ended 31 December 2013 (2012: HK$1,243 million), the Group's share of the underlying post-tax profits less losses of associates for the year ended 31 December 2013 amounted to HK$3,117 million (2012 (restated): HK$2,798 million), representing an increase of HK$319 million, or 11%, over that for the corresponding year ended 31 December 2012. Such increase was mainly attributable to the following:

(i) the Group's share of increase in the underlying post-tax profit contribution from HKCG of HK$158 million, mainly due to the share of increase in profit contribution from the gas operation and related businesses of HK$270 million during the year, which is partially offset by the non-recurrence during the year of the share of an aggregate net one-off gain of HK$128 million recognised in the corresponding year ended 31 December 2012;

(ii) the Group's share of increase in the underlying post-tax profit contribution from HK Ferry of HK$74 million, mainly due to the share of profit contribution from the sales of securities investments of HK$33 million during the year, the share of increase in profit contribution from property leasing activities of HK$4 million during the year and the gain on bargain purchase of HK$61 million arising from the Group's acquisition of an additional 1.97% interest in HK Ferry, which are partially offset by the share of decrease in profit contribution from property sales of HK$25 million (in particular, in relation to "Shining Heights"); and

(iii) the Group's share of increase in the underlying post-tax profit contribution from Miramar of HK$68 million, mainly due to the gain on bargain purchase of HK$97 million arising from the Group's acquisition of an additional 0.87% interest in Miramar which is partially offset by the share of increase in the loss on disposal of land sites in the United States in the amount of HK$18 million and the share of the reversal of deferred tax asset in the amount of HK$12 million relating to the land site in the United States sold during the year.

Joint ventures

The Group's share of post-tax profits less losses of joint ventures during the year ended 31 December 2013 amounted to HK$2,613 million (2012: HK$4,416 million), representing a decrease of HK$1,803 million, or 41%, from that for the corresponding year ended 31 December 2012. Excluding the Group's attributable share of changes in fair value of investment properties held by the joint ventures of HK$628 million during the year ended 31 December 2013 (2012: HK$3,310 million), the Group's share of the underlying post-tax profits less losses of joint ventures for the year ended 31 December 2013 amounted to HK$1,985 million (2012: HK$1,106 million), representing an increase of HK$879 million, or 79%, over that for the corresponding year ended 31 December 2012. Such increase was mainly attributable to (i) the Group's share of increase in post-tax profit contribution of HK$191 million from the sale of property units of "La Botanica" in Xian, mainland China; (ii) the Group's share of post-tax profit contribution of HK$609 million (2012: Nil) from the sale of property units of "Global Trade Square" in Hong Kong; and (iii) the Group's share of increase in post-tax profit contribution of HK$60 million from the property leasing activities of ifc complex and Tung Chung project.

Finance costs

Finance costs (comprising interest expense and other borrowing costs) recognised as expenses for the year ended 31 December 2013 were HK$957 million (2012: HK$1,239 million). Finance costs before interest capitalisation for the year ended 31 December 2013 were HK$2,179 million (2012: HK$2,334 million). During the year ended 31 December 2013, the Group's effective borrowing rate was approximately 4.44% per annum (2012: approximately 4.31% per annum).

Revaluation of investment properties and investment properties under development

The Group recognised an increase in fair value on its investment properties and investment properties under development (before deferred taxation and non-controlling interests) of HK$6,345 million in the consolidated statement of profit or loss for the year ended 31 December 2013 (2012: HK$8,813 million).

Financial resources and liquidity

Medium Term Note Programme

At 31 December 2013, the aggregate carrying amount of notes guaranteed by the Company and issued under the Group's Medium Term Note Programme established on 30 August 2011 and which remained outstanding was HK$11,194 million (2012: HK$11,300 million), with tenures of between two years and twenty years (2012: two years and twenty years). These notes are included in the Group's bank and other borrowings at 31 December 2013 as referred to in the paragraph "Maturity profile and interest cover" below.

Maturity profile and interest cover

The maturity profile of the total debt, the cash and bank balances and the gearing ratio of the Group were as follows:

	At 31 December 2013 HK$ million	At 31 December 2012 HK$ million
Bank and other borrowings (including guaranteed notes) repayable:		
– Within 1 year	**7,418**	2,826
– After 1 year but within 2 years	**12,588**	5,883
– After 2 years but within 5 years	**18,938**	23,197
– After 5 years	**7,841**	9,712
Amount due to a fellow subsidiary	**5,474**	6,125
Total debt	**52,259**	47,743
Less: Cash and bank balances	**13,915**	12,538
Net debt	**38,344**	35,205
Shareholders' funds *(2012 – restated)*	**223,402**	205,163
Gearing ratio (%)	**17.2%**	17.2%

Gearing ratio is calculated based on the net debt and shareholders' funds of the Group at the balance sheet date.

The interest cover of the Group is calculated as follows:

	Year ended 31 December	
	2013	2012
	HK$ million	HK$ million
Profit from operations (before changes in fair value of investment properties and investment properties under development) plus the Group's share of the underlying profits less losses of associates and joint ventures (before taxation) *(2012 – restated)*	**12,451**	10,132
Interest expense (before interest capitalisation)	**1,986**	2,140
Interest cover (times)	**6**	5

With abundant banking facilities in place and the recurrent income generation from its operations, the Group has adequate financial resources in meeting the funding requirements for its ongoing operations as well as its future expansion.

Treasury and financial management

The Group is exposed to interest rate and foreign exchange risks. To efficiently and effectively manage these risks, the Group's financing and treasury activities are centrally co-ordinated at the corporate level. As a matter of policy, all transactions in derivative financial instruments are undertaken solely for risk management purposes and no derivative financial instruments were held by the Group at the balance sheet date for speculative purposes.

The Group conducts its business primarily in Hong Kong with the related cash flows, assets and liabilities being denominated mainly in Hong Kong dollars. The Group's primary foreign exchange exposure arises from its property developments and investments in mainland China denominated in Renminbi ("RMB"), the guaranteed notes ("Notes") denominated in United States dollars ("US$"), Sterling ("£") and Singapore dollars ("S$"), certain bank borrowings denominated in United States dollars ("USD borrowings") which were fully repaid at 31 December 2013, certain bank borrowings denominated in Japanese Yen ("¥") ("Yen borrowings"), as well as the fixed coupon rate bond ("Bond") denominated in United States dollars.

In respect of the Group's operations in mainland China, apart from its capital contributions and, in some cases, loan contributions to projects which are denominated in RMB and are not hedged, the Group endeavours to establish a natural hedge by maintaining an appropriate level of external borrowings in RMB. In respect of the Notes, the Bond and the Yen borrowings in the aggregate principal amounts of US$835,000,000, £50,000,000, S$200,000,000 and ¥10,000,000,000 at 31 December 2013 (2012: the Notes, the Bond, the USD borrowings and the Yen borrowings in the aggregate principal amounts of US$982,500,000, £50,000,000, S$200,000,000 and ¥10,000,000,000), interest rate swap contracts and cross currency interest rate swap contracts were entered into between the Group and certain counterparty banks for the purpose of hedging against interest rate risk and foreign currency risk during their tenure. Furthermore, in respect of certain of the Group's bank loans denominated in Hong Kong dollars which bear floating interest rates in the aggregate principal amount of HK$12,000,000,000 at 31 December 2013 (2012: HK$13,000,000,000), interest rate swap contracts were entered into between the Group and certain counterparty banks for the purpose of hedging against interest rate risk during their tenure.

Material acquisitions and disposals

Material acquisitions

On 2 October 2013, the Company acquired:

(i) additional beneficial interests of 1.62%, 1.97% and 1.33% in the issued share capitals of HKCG, HK Ferry and HIL respectively, from Dr Lee Shau Kee ("Dr Lee"), chairman of the board of directors of the Company, and private companies indirectly controlled by the private trusts of the family of Dr Lee, for an aggregate cash consideration of HK$2,961 million; and

(ii) an additional beneficial interest of 0.87% in the issued share capital of Miramar from Sir Po-shing Woo, the father of Mr Woo Ka Biu, Jackson who is an independent non-executive director of the Company, and a private company beneficially owned by Sir Po-shing Woo and his spouse, for a cash consideration of HK$51 million.

As a result of the abovementioned acquisitions which were completed on 15 October 2013 and at 31 December 2013, the Group held an increased beneficial interest of (i) 41.50% in HKCG, 33.33% in HK Ferry and 45.08% in Miramar; and (ii) 69.27% in HIL. The Group recognised a gain on bargain purchase arising from the acquisition of the aforementioned additional beneficial interests in HK Ferry and Miramar in the aggregate amount of HK$158 million for the year ended 31 December 2013.

On 13 November 2013, a wholly-owned subsidiary of the Company acquired a land site situated in Kwu Tung, the New Territories, for a land premium of HK$2,888 million. The land site will be held for development of residential properties for sale.

Material disposals

On 13 November 2013, the Group disposed of the issued share capital and outstanding loans of an indirectly owned subsidiary, whose principal asset is an investment property in Hong Kong, for a cash consideration of HK$1,673 million. The disposal was completed on 13 November 2013 and the Group recognised a gain on disposal of HK$587 million.

On 21 October 2013, the Group disposed of its investment in one of the available-for-sale equity securities and realised a net gain on disposal of HK$163 million for the year ended 31 December 2013.

Save as disclosed above, the Group did not undertake any other significant acquisitions or disposals of subsidiaries or assets during the year ended 31 December 2013.

Charge on assets

Assets of the Group's subsidiaries were not charged to any third parties at both 31 December 2013 and 31 December 2012.

Capital commitments

At 31 December 2013, capital commitments of the Group amounted to HK$27,342 million (2012: HK$31,380 million). In addition, the Group's attributable share of capital commitments in relation to its joint ventures amounted to HK$2,451 million (2012: HK$956 million).

Contingent liabilities

At 31 December 2013, the Group's contingent liabilities amounted to HK$2,240 million (2012: HK$1,784 million), of which:

(i) an amount of HK$453 million (2012: HK$831 million) relates to performance bonds to guarantee for the due and proper performance of the obligations undertaken by the Group's subsidiaries and projects, and the year-on-year decrease of which is attributable to the project completion of "The Reach" during the year ended 31 December 2013 and hence the release of the relevant performance bond accordingly;

(ii) an amount of HK$467 million (2012: HK$466 million) relates to guarantees in respect of certain bank loans and borrowings entered into by an entity whose shares were held by the Company as available-for-sale equity securities at 31 December 2013; and

(iii) an amount of HK$1,303 million (2012: HK$479 million) relates to guarantees to financial institutions on behalf of purchasers of property units in mainland China in relation to which the related Building Ownership Certificate (房產證) had not yet been issued at 31 December 2013 (and such guarantees will be released upon the issuance of the Building Ownership Certificate).

Employees and remuneration policy

At 31 December 2013, the Group had approximately 8,300 (2012: 8,000) full-time employees. The increase in headcount during the year ended 31 December 2013 mainly relates to the following divisions or segment:

(i) the property management division, following the commencement of property management activities for "The Reach" and "Double Cove" Phase 1 which were completed during the year;

(ii) the construction segment, following the commencement of the production of pre-cast façade and miscellaneous site works which were carried out by sub-contractors in previous years; and

(iii) the cleaning division, due to the appointment of sub-contracted employees to full-time employees during the year.

The remuneration of the employees is in line with the market and commensurate with the level of pay in the industry. Discretionary year-end bonuses are payable to the employees based on individual performance. Other benefits to the employees include medical insurance, retirement scheme, training programmes and education subsidies.

Total staff costs for the year ended 31 December 2013 amounted to HK$1,907 million (2012: HK$1,819 million), which comprised (i) staff costs included under directors' remuneration of HK$139 million (2012: HK$141 million); and (ii) staff costs (other than directors' remuneration) of HK$1,768 million (2012: HK$1,678 million).

Five Year Financial Summary

	Note	18-month period from 1 July 2008 to 31 December 2009 (restated) (note 1) HK$ million	Year ended 31 December 2010 HK$ million	2011 HK$ million	2012 (restated) HK$ million	2013 HK$ million
Profit for the period/year	*2&5*	15,465	15,820	17,184	20,201 ^	15,948
Underlying profit for the period/year	*2,3&5*	6,027	5,042	5,560	7,091 ^	8,938
		HK$	HK$	HK$	HK$	HK$
Earnings per share	*2,5&7*	7.20	7.32	7.44	7.70 ^	5.97
Underlying earnings per share	*2,3,5&7*	2.81	2.33	2.41	2.70 ^	3.35
Dividends per share	*2*	1.30	1.00	1.00	1.06	1.06

	Note	At 31 December 2009 (restated) (note 1) HK$ million	2010 HK$ million	2011 (restated) HK$ million	2012 (restated) HK$ million	2013 HK$ million
Fixed assets	*4*	70,296	84,068	92,771	101,072	108,872
Interest in associates	*4&5*	36,561	37,981	40,092 ^	42,403 ^	48,108
Interest in jointly controlled entities/ joint ventures	*4*	18,893	20,947	23,722	29,588	31,046
Inventories		41,541	60,717	68,204	76,403	80,233
Net debt	*6*	27,710	44,818	36,890	35,205	38,344
Net asset value	*2,4&5*	142,228	159,038	185,311 ^	205,163 ^	223,402
Net debt to net asset value		19.5%	28.2%	19.9%	17.2%	17.2%
		HK$	HK$	HK$	HK$	HK$
Net asset value per share	*2,4,5&7*	66.24	73.09	78.22 ^	84.95 ^	82.77

^ *As restated in accordance with the change in accounting policy as referred to in note 5 below.*

Notes:

1 *Pursuant to a resolution of the Board of Directors dated 19 March 2009, the Company's financial year end date has been changed from 30 June to 31 December in order to align with that of its major listed associate, The Hong Kong and China Gas Company Limited, and of project companies established in mainland China.*

2 *The profits, earnings, dividends and net asset values shown or referred to above were all attributable to equity shareholders of the Company.*

3 *These figures were calculated based on profit attributable to equity shareholders of the Company and adjusted by excluding the Group's attributable share of changes in fair value of investment properties and investment properties under development (net of deferred taxation) held by the Group's subsidiaries, associates and jointly controlled entities/joint ventures.*

4 *In order to comply with HK(IFRIC)-Int 12, Service concession arrangements, the Group changed its accounting policy relating to toll bridge under public-to-private service concession arrangement with effect from 1 July 2008. As such, fixed assets excluded intangible operating rights (which included toll highway operating right) at 31 December 2009.*

In order to comply with the amendments to HKAS 40, Investment property, the Group changed its accounting policy to recognise investment property under development at fair value at the earliest reporting date at which fair value could be reliably estimated, rather than waiting until completion of the construction. This accounting policy was applied prospectively as from 1 January 2010 and net assets and profits for earlier periods have not been restated.

The Group adopted the amendments to HKAS 17, Leases. This accounting policy was applied retrospectively as a result of which certain leases of land (previously included under "Interests in leasehold land held for own use under operating leases") with carrying amounts of HK$976 million at 31 December 2009 and HK$880 million at 31 December 2010 have been reclassified as finance leases and included under "Fixed assets".

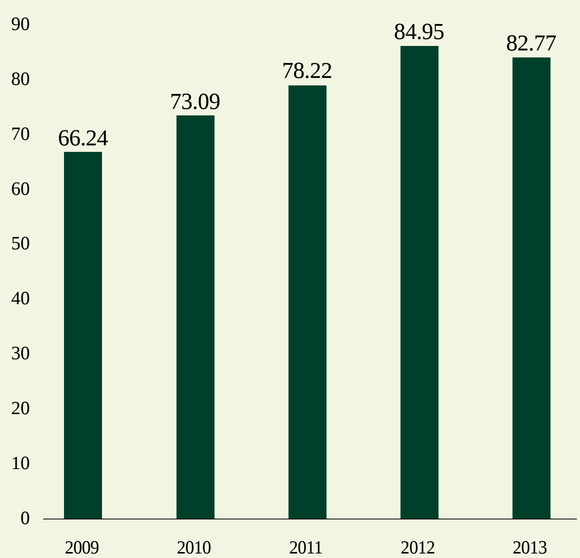
The Group adopted the amendments to HKAS 12, Income taxes, in respect of the recognition of deferred tax on investment properties carried at fair value under HKAS 40, Investment property. The change in policy arising from the amendments to HKAS 12 has been applied retrospectively by restating the opening balances at 1 July 2008 and 1 January 2010, with consequential adjustments to the comparative figures for the 18 months ended 31 December 2009.

5 *For the year ended 31 December 2013, as a result of the adoption of revised HKAS 19, Employee benefits, the Group's certain associates have changed their accounting policy with respect to defined benefit plans. This change in accounting policy has been applied retrospectively by restating the balances at 1 January 2012 and 31 December 2012, with consequential adjustments to the comparative figures for the year ended 31 December 2012.*

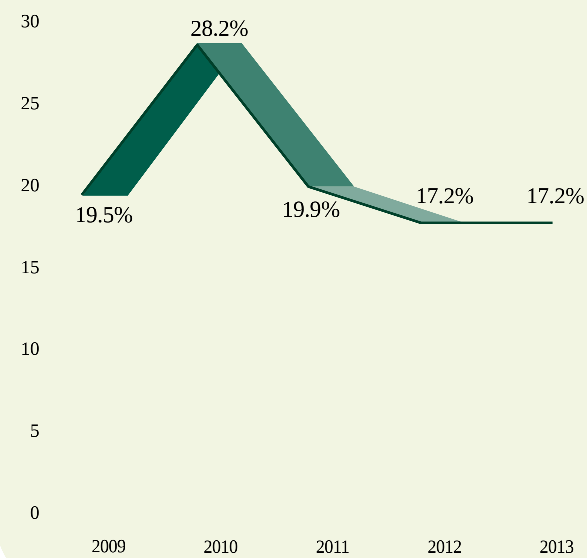
6 *Net debt represents the total of bank loans and overdrafts, guaranteed notes and the amount due to a fellow subsidiary minus cash and bank balances.*

7 *The earnings per share for the year ended 31 December 2012 were calculated based on number of shares as adjusted for the effect of the bonus issue in July 2013 under HKAS 33, Earnings per share. The net asset values per share were calculated based on the number of issued shares outstanding at the respective balance sheet dates.*

Net asset value per share (HK$)

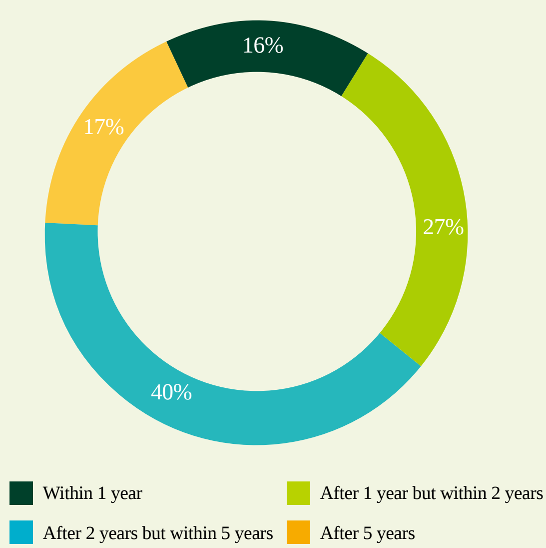


Net debt to net asset value (%)

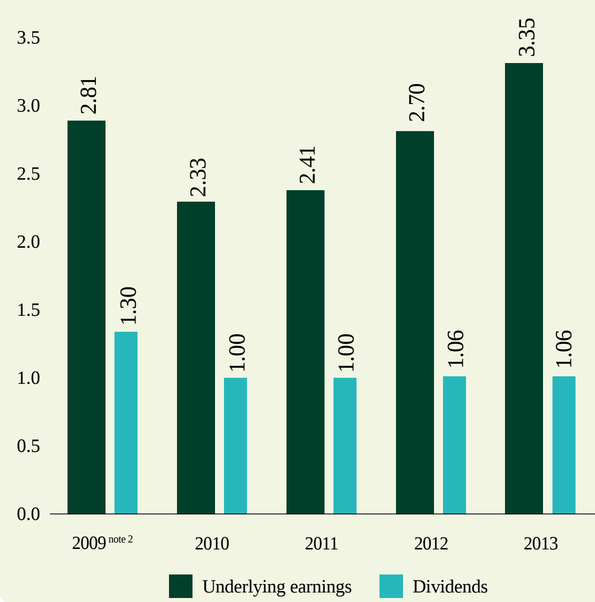


Maturity profile of the Group's bank and other borrowings repayable[note 1]

at 31 December 2013



Underlying earnings / dividends per share (HK$)



Note 1: Excluding the amount due to a fellow subsidiary.

Note 2: In respect of the eighteen months ended 31 December 2009.

GREEN IS OUR COLOR

Sustainability and CSR


GREEN
IS OUR
COLOR

This Chapter describes in detail Henderson Land's approach to sustainability and corporate social responsibility. It provides information on the environmental, social and economic impacts of the Group's operations, primarily in Hong Kong.

The information provided relates to our headquarters and our wholly-owned property management and construction subsidiaries, Goodwill Management Limited ("Goodwill"), which manages the Group's investment properties, and E Man Construction Company Limited ("E Man"), which operates and manages the Group's construction sites.

Commercial growth and corporate social responsibility are mutually important imperatives for the Group. We recognise that our business activities have an impact on the community and we seek to reconcile our commercial objectives with the long-term imperatives of sustainable growth, social prosperity and community well-being.

Our Environment

Henderson Land advocates environmental stewardship and continues to implement new measures that ensure the Group adheres to a sustainable approach at our headquarters, throughout our property portfolio and on our construction sites. This approach is guided by our Environmental Policy, which ensures that we wholly integrate environmental considerations into our corporate decision-making process, management and organisational culture.

The Group also strives to optimise the environmental performance of buildings we manage and holds ISO 14001 certification for the environmental management systems in our property management and construction subsidiaries.

Green Buildings

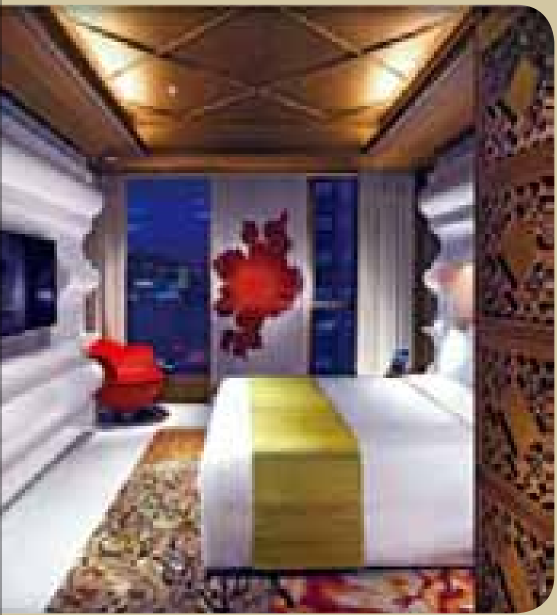
With sustainability as a core consideration, the Group is conscientious in its approach to delivering attractive and efficient properties in unrivalled locations that contribute positively to their context. We have adopted an approach that accommodates nature conservation imperatives as part of the development process, while also delivering high quality landscaping and optimised energy performance beyond prerequisite industry standards.

Achievements

In recognition of our sustainability achievements, Henderson Land has received numerous awards and accreditations. Our policy is to achieve industry standard environmental certification for our new and future development projects where practicable. To-date, the Group's portfolio of development and investment projects has accumulated five Leadership in Energy and Environmental Design ("LEED"), 22 Building Environmental Assessment Method ("BEAM") and three Green Building Design Label ("GBDL") certifications. These comprise 10 office and commercial developments, 11 residential developments and one hotel property.

Project accreditation in 2013

	Development	Rating
LEED certified	Two International Finance Centre	Gold
BEAM certified	Double Cove (Phase 2 & 3)	HK-BEAM Platinum (Provisional)
	2-12 Observatory Road	BEAM Plus Platinum (Provisional)
	High Park	BEAM Plus Silver (Provisional)
	The Hemispheres	BEAM Plus Silver (Provisional)



CASE STUDY MIRA MOON

Located in Wanchai and opened in November 2013, Mira Moon, the Group's latest lifestyle design hotel operated by Miramar Group, has a range of green features.

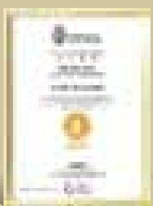
The 91-room hotel development has a vertical green wall on the 3rd floor outdoor garden, planters at 8th floor Sky Garden and green roofs, all with real vegetation. The overall area of greenery is equivalent to around 38% of the property's site area. This helps to reduce the development's carbon footprint, alleviates the urban heat island effect and provides guests with a pleasant and comfortable environment in the bustling neighbourhood.

The Hotel was designed with a range of energy saving features which reduce overall energy consumption by more than 10% per annum compared to ASHRAE standard 90.1-2007 baseline, equivalent to annual savings of approximately 156 MWh, or reductions of 168,000 kg of CO_2 emissions. The Hotel's main systems are monitored by a digital energy management system. A heat recovery wheel reduces energy consumed in supplying cool fresh air to the property, while high performance water-cooled chillers, efficient cooling towers and variable speed pumps all contribute to minimising energy consumption.

The Hotel optimises daylight to reduce the need for artificial lighting. The façade includes the use of highly efficient double glazed low-e glass with a low shading coefficient, together with a higher visible daylight transmission area, which can help to simultaneously maximise daylight penetration but reduce solar heat gain. LED and T5 lighting is installed and controlled by a highly efficient, programmed dimming system with daylight sensors installed on floors with guestrooms.

The Hotel's water conservation features are designed to save over 40% of the total annual potable and flushing water used at the property compared to the International Plumbing Code, equivalent to approximately 4.55 million litres. Indoor air quality has been optimised using CO_2 sensors to monitor the fresh air content in public areas.

A food waste eliminator with capacity of 35 kg will be installed in the Hotel in the first quarter of 2014 to reduce the amount of food waste being transferred to landfills.



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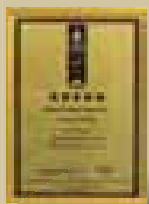


4.

AWARDS AND ACCREDITATIONS:

1. HK-BEAM – Provisional Rating of Gold Standard

2. Green Building Design Label (GBDL) – 3-star Rating

3. Autodesk HK Building Information Modeling Awards 2011

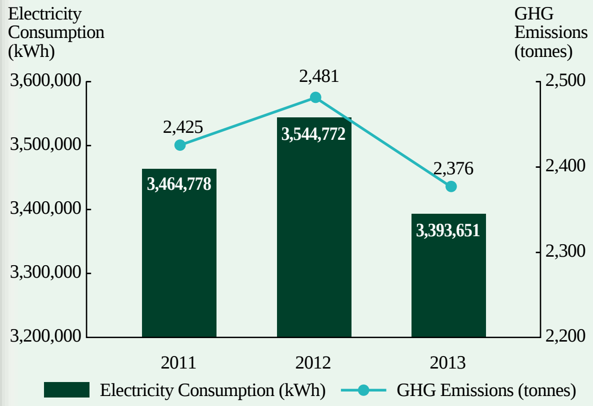
4. 2013-2014 The Asia Pacific Hotel Awards "Best Hotel Interior Hong Kong"

Strong In-house Professional Team

The Group's sustainability practices are overseen by our Green Building Sub-Committee, which is composed of representatives from Project Management, Construction, Property Management, Leasing and Sales departments. In 2013, the Committee arranged 5D Building Information Modeling (BIM) training and green building project experience sharing sessions for our staff, and issued e-newsletters to keep our colleagues abreast of the latest green technology and industry best practices.

Our strong team of professionals now includes 28 BEAM Professionals, 11 GBL qualified managers, eight LEED Accredited Professionals, two LEED Green Associates, two certified arborists and one ecologist. The team works together to integrate the latest green building standards and practices into everyday building planning, design, construction and operation.

Electricity consumption and corresponding GHG emissions^ at our offices at Two ifc and AIA Tower



^*Covers only energy indirect emissions from electricity consumption at these offices*

Energy Efficiency and Emissions

Recognising that reducing energy consumption and improving energy efficiency are key drivers to mitigate climate change, the Group is committed to optimising the environmental performance of our operations and developments.

Corporate Level

Henderson Land practices environmentally responsible energy usage at our headquarters and offices. To reduce the power consumption of our lighting systems, LED and T5 lighting and electric transformers are being deployed throughout our offices, with faulty fluorescent lamps being steadily phased out and replaced by LED or T5 standard light bulbs. Most of our office equipment carries Energy Label issued by the Electrical and Mechanical Services Department.

The Group encourages the use of video conferencing among our offices and subsidiaries in Hong Kong and mainland China so as to minimise the need for business travel, and ultimately reduce carbon emissions from air travel. We have installed 47 sets of video conferencing systems in our offices in Hong Kong and mainland China. More than 1,500 video conferences took place in 2013, totalling over 10,000 hours.

At our offices at Two ifc and AIA Tower, a 4.26% reduction in electricity consumption was recorded in 2013 as compared to 2012, and the Group will continue to explore and implement different energy efficiency measures to improve the environmental performance of our operations at our offices.

Project Level

The Group seeks to maximise the energy efficiency of the projects in our development portfolio. We incorporate environmentally beneficial features wherever feasible to improve overall thermal and environmental performance, while also mitigating the urban heat island effect, managing storm water effectively, enhancing biodiversity and reducing air pollution.

Our team of professionals has devised a set of in-house green building guidelines in respect of energy and resources efficiency. By adopting various measures and observing our in-house guidelines, we can reduce the annual building energy consumption and peak electricity demand of our developments.

Examples include reduced heat transmission through external wall and enhanced natural ventilation through appropriate orientation and building form. Our developments also feature integrated design of appropriate window-wall ratio and operable window-floor ratio, optimised use of high performance glazing and energy-saving lighting, installation of highly efficient equipment and systems, and daylight and occupancy controls for lighting systems in common areas.

The Group supports and promotes the use of electric vehicles to reduce vehicle emissions in Hong Kong. By the end of 2013, we had installed 30 electric vehicle chargers in 13 of our developments.

Electric vehicle charging station at AIA Tower

Our Construction subsidiary, E Man, takes various innovative measures at sites to reduce energy consumption such as solar powered LED pole lighting which stores energy during daytime for powering lighting at night.

Machinery and generators at the Group's construction sites use low sulfur diesel fuel. Furthermore, all machines, equipment and vehicles also undergo regular maintenance so as to maximise their efficiency and reduce adverse environmental effects.

When sourcing materials for our development projects, those manufactured locally or within 800 km from the Group's sites are given higher priority.

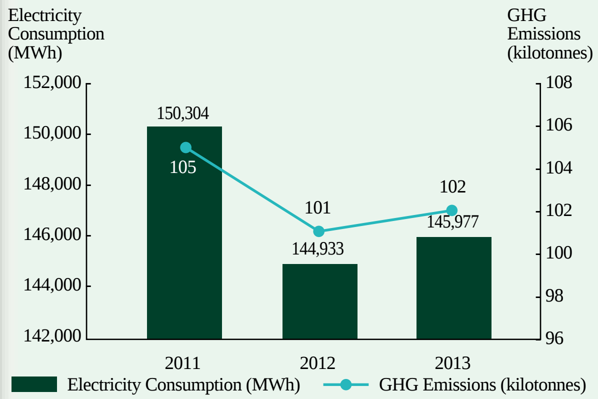
Property Management Level

The Group has been supporting the Environment Bureau's "Energy Saving Charter on Indoor Temperature" since 2012, and was a signatory again in 2013, pledging to maintain the average indoor temperature of common areas at between 24-26°C during the summer months in 17 shopping malls and 10 office buildings of the Group. Goodwill, the Group's property management subsidiary, also sought support for the initiative from the retail shops and office tenants of those properties to make a concerted effort for sustainability.

The total investment on environmental improvements made by Goodwill in 2013 amounted to over HK$2 million, which included LED light replacements, purchase of biodegradable umbrella bags, and ISO audit fee.

A carbon audit was conducted in two of the Group's commercial properties including Manulife Financial Centre (MFC) and AIA Tower. Energy saving measures undertaken at these properties included monitoring of indoor room temperature and lighting improvements. Additionally, in MFC, there are a podium and sky garden with plants as well as window blinds at the ground floor lobby which increase the thermal insulation and protect the building from solar radiation.

Electricity consumption and corresponding GHG emissions^ of properties managed by Goodwill



^*Covers only energy indirect emissions from electricity consumption in these properties*

Note: *The total number of buildings covered in 2013 was 29, while that in both 2011 and 2012 was 30.*

During 2013, our property management subsidiaries Hang Yick Properties Management Limited ("Hang Yick") and Well Born Real Estate Management Limited ("Well Born") were accredited by the Green Office Awards Labelling Scheme organised by World Green Organization, while Hang Yick also won 2013 Junior Chamber International Hong Kong (JCIHK) United Nations Global Compact Awards (Gold).

Waste Management

Henderson Land minimises waste at all levels of the Group's operations and ensures the disposal of waste in an environmentally responsible manner.

Corporate Level

The Group encourages the use of online communications and electronic devices to minimise paper usage. It is estimated that over 6,000 kg of paper was saved in 2013.

To further enhance the Group's environmentally-friendly working environment, we created various applications for paperless internal and external stakeholder communication including iCPM, a web-based collaboration system for construction suppliers and consultants, BQCS, a mobile and web application for building quality inspection, and DMS, a web-based documentation system for facilities management.

FSC-certified papers are used for the printing of our Annual and Interim Reports, payroll advice, tax return report as well as ORSO Annual Report, involving 5,564 kg.

During the year, 36,558 kg of paper waste from the Group's offices was shredded and recycled.

Henderson Land joined Friends of the Earth (HK)'s "Used Printer Cartridge Reuse & Recycling Programme" and Ricoh's "Toner Bottles and Cartridges Recycling Programme", resulting in a total of 918 printer cartridges and toner bottles being refilled or recycled during the year.

We also donated used office furniture and machines to various NGOs.

Project Level

The Group uses Building Information Modeling (BIM) to optimise our designs, improve coordination and minimise construction waste. Our effective use of BIM in the development project High Park Grand won us the "Autodesk Hong Kong BIM Awards 2013."

Our use of wind tunnel test enables optimum site planning in respect of a project's surroundings, including assessing the impact of the development on air ventilation in the neighbourhood. Additionally, through streamlining and optimising our project structural designs, the use of some building materials such as concrete and reinforcement bars can be reduced thus reducing embodied energy in a building and ultimately contributing to a project's better environmental performance.

On the Group's demolition sites, we have implemented a waste management scheme to encourage the recycling and reuse of construction and demolition waste as aggregates and metal waste is sold for recycling. We also encourage reuse of timber used for temporary works on site.

Property Management Level

The Group uses biodegradable umbrella bags at our shopping malls and commercial buildings, and biodegradable refuse bags are also used at some of our properties.

Most of the properties managed by the Group's property management subsidiaries participate actively in various recycling programmes including used computers, books, batteries, mooncake boxes, food waste, used cooking oil, red pockets, fluorescent tubes, Christmas trees and peach blossoms, as well as recycling of paper, plastic and metal.

Recycling bins are easily accessible at our properties

Recycled material at properties managed by Goodwill

	2011	2012	2013
No. of participating properties	21	24	24
Paper (kg)	889,070	1,103,710	1,095,139
Plastic (kg)	12,662	13,915	15,043
Metal (kg)	12,706	15,322	15,331

1. **Food Waste Reduction**

   Our property management subsidiaries, Goodwill, Well Born and Hang Yick became signatories of the Food Wise Charter. Promotions to encourage food waste reduction were held in properties managed by these subsidiaries, as well as participation in food donation activities and the Food Wise Hong Kong Ambassador scheme. These initiatives increased the awareness of staff, tenants and residents in respect of this issue.

   Shopping Malls

   Since 2011, Goodwill introduced two food waste eliminators at Miramar Shopping Centre, an asset of the Group's associated company Miramar Group, and further introduced one at Metro City Plaza II in 2012. The three food waste eliminators, which turn organic waste into water and carbon dioxide with the use of biotechnology, processed a total of 909,772 kg of food waste in 2013.

Residential Properties

The food waste composter at Grand Promenade, a residential property managed by Well Born, helps to reduce 80% of the volume of original food waste, which is then used as organic fertiliser for gardening. A reward programme is in place to motivate residents' participation and in 2013, tenants' participation rate almost doubled compared to 2012. About 10,083 kg food waste was recycled, generating about 1,758 kg of organic fertiliser.

Another food waste processor with a capacity of 50 kg will be installed in the first quarter of 2014 in The Gloucester, a recently completed residential property.

2. **Used Cooking Oil Collection**

During the year, Goodwill continued its used cooking oil collection programme. The aim is to encourage food and beverage tenants to recycle used cooking oil into biodiesel, with income generated from the scheme donated to the World Wide Fund for Nature Hong Kong to support its environmental conservation work. The programme has successfully increased the awareness among tenants on the benefits of used cooking oil recycling, and some tenants launched their own programmes, therefore decreasing the amount of properties' used cooking oil collection. During 2013, a total of 1,989 kg of used cooking oil was collected at Miramar Shopping Centre.

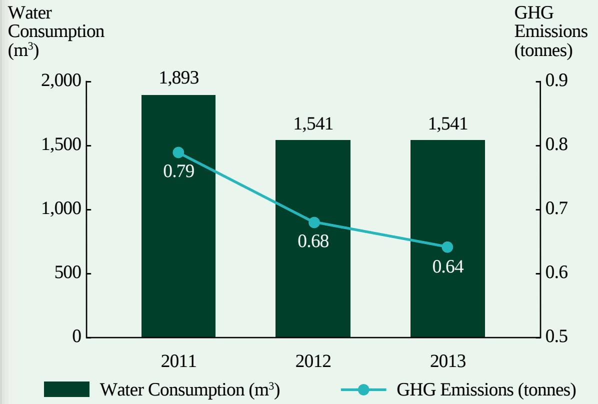
Water Management

Henderson Land considers water as an essential resource in our operations and endeavours to manage and preserve its use where possible.

Corporate Level

The Group regularly monitors water consumption at our offices. In 2013, we used 1,541 m^3 of water at our offices in Two ifc and AIA Tower, which was about the same as our water consumption in 2012.

Water consumption and corresponding GHG emissions^ at our offices at Two ifc and AIA Tower



^*Covers only indirect emissions from water consumption at these offices*

Project Level

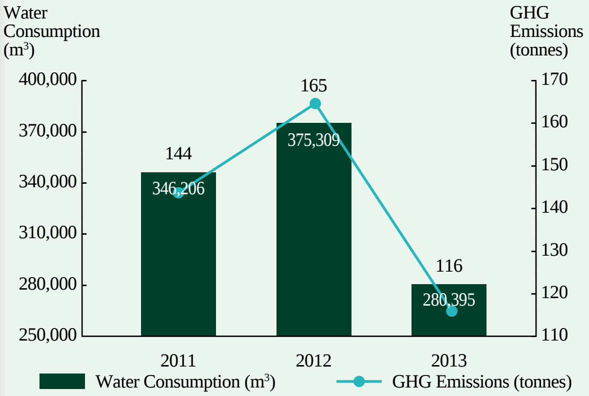
In our development projects, the Group uses efficient fresh water supply devices and water efficient irrigation systems to reduce annual consumption of fresh water. Other water reduction measures include the use of certified water efficient appliances and water saving sanitary fittings in new building projects. On some of our construction sites, we build channels for temporary rainwater storage and pump rainwater into trucks for water-spraying.

Channels to store rainwater for water-spraying at construction sites

Property Management Level

Our property management subsidiary, Goodwill, monitors water consumption in the properties it manages, and uses initiatives that include installing faucets with infra-red sensors, collecting rainwater for irrigation, and providing building water and fire sprinkler drain-off collection tanks.

Water consumption and corresponding GHG emissions^ of properties managed by Goodwill



^Covers only indirect emissions from water consumption in these properties

Note: The total number of buildings covered in 2013 was 27, while that in both 2011 and 2012 was 29.

Biodiversity

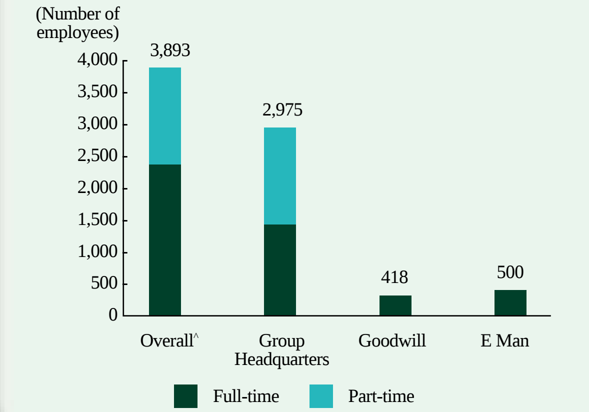
The Group recognises the innate relationship between development activities and the environment, and takes a highly proactive stance to avoid and minimise undesirable environmental impacts and promote environmental best practice for long-term benefit.

We take a pragmatic and sensitive approach to each development. When a site is identified, surveys will be undertaken to evaluate its ecological value in accordance with all relevant laws, regulations and guidelines. The Group will also seek the advice of non-government environmental organisations and experts. All these views, recommendations and findings will be taken into consideration at the early planning stage to avoid and minimise any potential impacts. Where necessary, appropriate mitigation measures will be considered which will follow our standard policy of either avoidance, minimisation (both spatial and temporal), compensation, or enhancement.

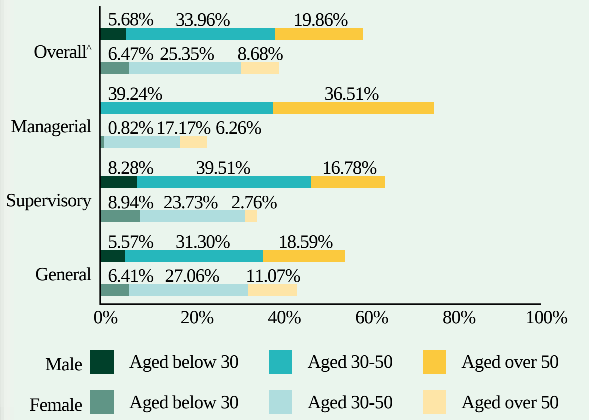
Our People

Henderson Land considers our human resources to be the most valuable asset of the Group. Attracting, developing and retaining talent is vital to our success. We strive to be considered an employer of choice by providing optimal talent and professional development opportunities to our staff. We are also committed to sustaining a safe and healthy working environment for all employees and site staff, and to implementing non-discriminatory equal opportunity employment practices.

Total workforce by employment type



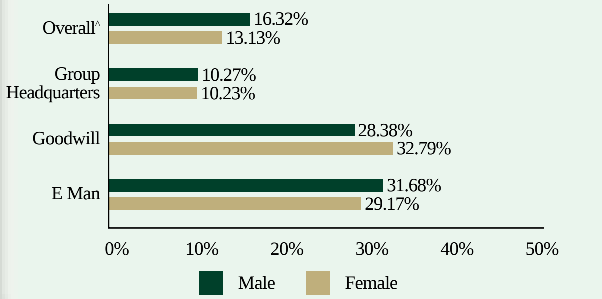
Employee breakdown by position level, gender and age



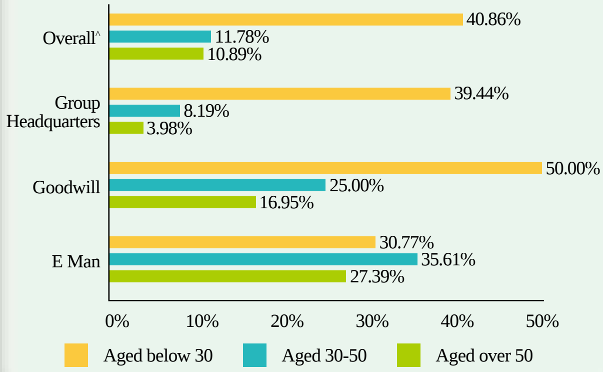
#Turnover rate = turnover / headcount x 100

^The overall number includes only the employees of the Group's Headquarters, Goodwill and E Man, and not the whole Group

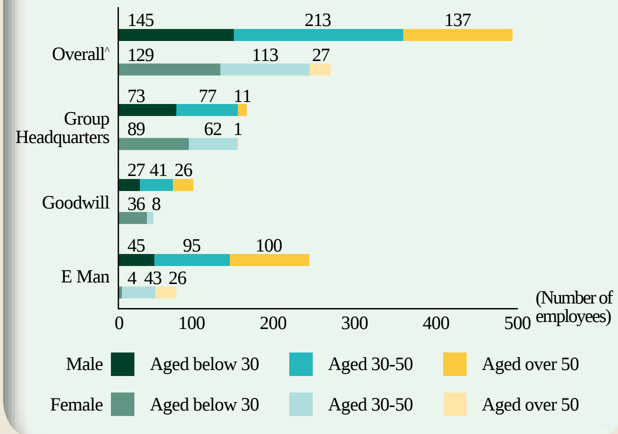
Turnover rate by business operation and gender#



Turnover rate by business operation and age#



New hires by business operation, gender and age

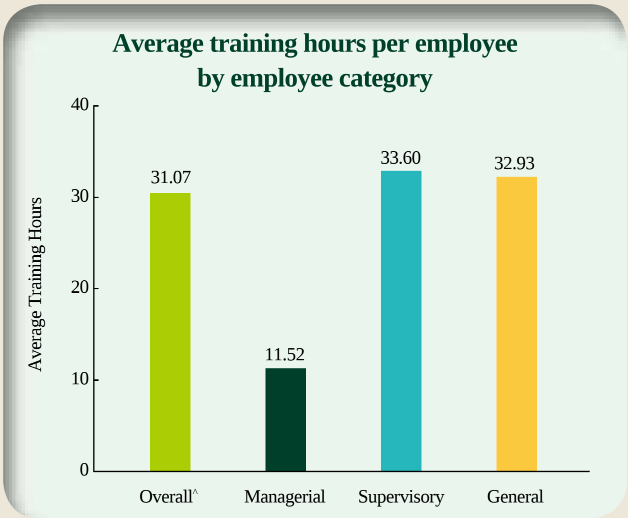


Employee Development and Training

Recognising that the knowledge, skills and capabilities of our employees are vital to the Group's continued business growth and success, we strive to ensure the professional development of our staff to their fullest potential. Training programmes are developed every year and reviewed periodically, with the Human Resources Department actively seeking employees' feedback. The Group provides an education subsidy and examination leave, thereby encouraging staff to develop their skills and expand their knowledge.

The Group offers a variety of training programmes and workshops for its staff every year

In 2013, the Group organised 42 internal training courses for its staff, with total training hours amounting to over 120,000 hours including internal, external or subsidised training, and examination leave. The scope of training ranged from professional and technical training to personal development skills. All full-time staff are appraised at least once annually.



^The overall number includes only the employees of the Group's Headquarters, Goodwill and E Man, and not the whole Group

Employee Health and Safety

Henderson Land is committed to providing a safe and healthy working environment to all employees and site staff. At our headquarters, occupational health and safety assessment is provided for newly hired employees, with inspections and recommendations made when necessary. Staff are also encouraged to take Occupational Health and Safety and First Aid courses.

The Group's property management subsidiary, Goodwill, circulates a safety handbook about maintenance work to all on-site staff, which covers personal protective equipment, electrical safety and emergency procedures.

The health and safety of staff on our construction sites is of overriding importance. At the Group's construction sites, a range of safety measures are implemented such as a care programme for workers who are new to a construction site, additional rest periods and the provision of shelters, ventilation facilities and potable water for workers during hot weather.

The Group's commitment to safety was again recognised in 2013, winning three awards in the "HKCA Safety Awards 2012" which was organised by Hong Kong Construction Association, four awards in "Considerate Contractors Site Award Scheme 2012" which was organised by Development Bureau, and five awards from "Caring Construction Site Award Scheme 2013" which was organised by the Occupational Safety & Health Council and the Labour Department. These accolades reflect the Group's commitment to initiatives to care for our frontline employees and site workers.

Regular morning exercise for site workers to enhance site safety

During the year, the Group conducted approximately 4,312 safety induction training courses and specific safety training courses, and 400 tool-box talks at our construction sites.

Occupational health and safety data in 2013^

Work-related fatalities	0
Injury rate per 1,000 employees	7.96
Lost days due to work-related accidents and disease (occupational)	1,195
Lost days due to other sick leave (not related to work-related injuries)	11,269.5

^The OHS data includes only the employees of the Group's Headquarters, Goodwill and E Man, and not the whole Group

Occupational Health & Safety Committee

The Group has a 16-person Occupational Health & Safety Committee which consists of division heads and a Committee Chairman. The Committee meets every three months, encouraging direct communications between division heads and site staff on site safety matters. New measures resulting from OHS Committee meetings are communicated to all site workers from time to time, as well as information on any recent accidents or injuries and respective precautionary measures to be taken.

Site Safety Subgroup

The Site Safety Subgroup comprises professional architects, engineers, surveyors and safety officers. It conducted 81 safety inspections of our superstructure, substructure, demolition as well as alteration and addition projects in 2013. These resulted in about 750 safety findings and recommendations being made to frontline site management for follow-up action covering critical site activities such as working on bamboo scaffolding, lifting operations, prevention of falling objects, flame cutting and welding, installation of curtain walls, excavation, and bored pilling.

Any major unsafe act and unsafe condition being observed is rectified immediately and other minor conditions are rectified before a proposed due date. Quarterly meetings take place with the Project Management Departments, Engineering Department and Construction Department where improvements and solutions concerning site safety are explored and discussed.

^Industry average accident rate in 2013 is not available as of the date of the report

Employee Benefits and Welfare

Henderson Land is committed to ensuring all our employees are rewarded for their contribution to our success. At Group level, the remuneration package structure for our full-time employees comprises competitive compensation and benefits, which include a medical allowance, free lunch and free refreshments, flexible working hours, paid paternity and marriage leave, retirement benefits, training and subsidies. Such benefits and welfare are reviewed regularly. During the year, the Group strengthened its leave policies and enhanced the medical allowance package.

Equal Opportunities

The Group promotes a community spirit that thrives on mutual respect and equal opportunities.

Henderson Land observes and adheres strictly to equal opportunities legislation, such as the Sex Discrimination Ordinance, Race Discrimination Ordinance, Disability Discrimination Ordinance and Family Status Discrimination Ordinance. To ensure diversity and equality, we recruit, remunerate and promote employees based on their experience, skills and performance, without prejudice to age, race, disability or gender.

Code of Conduct

The Group adheres to stringent anti-corruption policies and procurement practices as stated in our Code of Conduct that includes provisions for conflicts of interest, intellectual property rights, privacy and confidentiality of information, bribery and corruption and equal opportunities.

As part of their orientation training, all new employees of the Group are shown a video about anti-corruption. During the year, our gift policy was updated to clearly state the required process and procedure for handling and accepting gifts.

ICAC staff are regularly invited to give talks to our colleagues. No cases of corruption were reported within the Group in 2013.

Our Community

Henderson Land's Corporate Social Responsibility Committee continues to oversee the implementation of the Group's CSR policies and drive our involvement in the many numerous worthy and innovative causes we support. Overall, the Group significantly strengthened its support to the community during the year, providing not only financial assistance but also manpower and the dedicated personal involvement of our senior executives.

In this regard, mirroring the tireless work of the Group's Chairman, Dr Lee Shau Kee, both of our Vice Chairmen, Mr Lee Ka Kit and Mr Lee Ka Shing, further extended their personal involvement in a broad range of poverty relief projects, corporate volunteer work and community engagement programmes. For Mr Lee Ka Kit, these included his Co-opted Membership in the Special Needs Group Task Force of the Government's Commission on Poverty and further expansion of his Home Market initiative. He also personally supported Centum Charitas Foundation's Centum Leadership Program by giving an educational talk to 500 students. At the talk, he shared some inspirational views and stories to motivate students to realise their own life and career aspirations. Similarly, Mr Lee Ka Shing extended his support to the Government's territory-wide "Bless Hong Kong" Campaign through his championing of various community projects and social enterprises. He also took up the chairmanship of Henderson Warmth Volunteer Team and the founding membership of the 30% Club Hong Kong.

The Group's Vice Chairman Mr Lee Ka Kit (centre, front row) shared his inspirational stories with 500 students

The Group's Chairman Dr Lee Shau Kee (right) officiated at a land donation ceremony

Key Initiatives

Land Donation to Pok Oi Hospital

One of the Group's most important community highlights in 2013 was a first-of-its-kind land donation scheme, which was a brainchild of the Group's Chairman Dr Lee Shau Kee. With a sponsorship provided by Dr Lee, Henderson Land has pledged to donate a 100,000 sq.ft. plot of land in Tuen Mun to Pok Oi Hospital for the development of multi-purpose social welfare facilities, including a residential care home for the elderly that will provide up to 2,000 beds. If a change of land use is approved, and if everything goes smoothly, the construction of the facility is expected to be completed by the end of 2017. To show his goodwill, Dr Lee will donate HK$107 million to Henderson Land once the project is materialised.

Support for the Commission on Poverty

To support the Commission on Poverty's territory-wide "Bless Hong Kong" Campaign, which focuses on poverty alleviation and promotes the spirit of mutual help by encouraging different sectors to organise activities for the benefit of the underprivileged, the Group has initiated and participated in a wide range of projects. Below are the highlights of some key projects:

1. **"Future Stars" Programme**

   The Group committed to supporting two major projects, the Upward Mobility Booster Project and the Upward Mobility Scholarship, under the Commission on Poverty's "Future Stars" Programme, which aims at helping young participants to set clearer goals for the future and assisting them to move up the social ladder. The Group pledged a HK$3 million sponsorship over three years for the Upward Mobility Booster Project, as well as offering career orientation and workplace induction for less privileged young people. Another HK$3 million sponsorship over three years was dedicated to the Upward Mobility Scholarship for less fortunate students who have shown progress in academic performance. It is estimated that approximately 600 students will benefit from this scholarship.

2. **Home Market**

   Launched by the Group's Vice Chairman Mr Lee Ka Kit in 2012, and supported by Henderson Warmth Foundation as the founding sponsor, Home Market is a pioneering poverty relief project that comprises a chain of not-for-profit convenience stores selling food and daily necessities at bargain prices to underprivileged people. Since 2013, the operational costs have been fully subsidised by Lee Shau Kee Foundation, and a new store was opened in Choi Hung Estate during the year. The four stores served some 80,000 members. As part of its commitment to supporting the "Bless Hong Kong" Campaign, more stores are planned to be opened in districts in close proximity to the grass-roots and needy.

3. **SE Organic Farm**

   During the year, the Group committed to a three-year sponsorship for an organic farm to operate as a social enterprise in Fanling. With a total area of more than 180,000 sq.ft., the farm offers meaningful engagements for students and retired individuals, who will be recruited as volunteers. It will also provide part of its crops each year for the Group to give away or sell at low prices to low-income households in Hong Kong.

4. **Le French May Arts Festival**

   During the year, the Group sponsored Le French May again as Grand Mécène (Patron) and worked closely with the organiser to initiate a series of community outreach programmes, student schemes, workshops and masterclasses, benefitting some 3,000 participants and gave away over 2,800 free tickets. In addition to giving free tickets to underprivileged students, the Group's Henderson Warmth Volunteer Team also invited members and families from Association for the Rights of Industrial Accident Victims to enjoy a percussion show and a pre-event party. Echoing the "Bless Hong Kong" Campaign, the Group has committed to be the Grand Mécène (Patron) of Le French May 2014 again, and will collaborate with the organiser to strengthen the community outreach programmes. In addition to giving away free tickets, it is expected that some 5,000 underprivileged people will benefit from the programme.

5. **Make a Difference ("MaD") 2014**

   As part of its commitment to the "Bless Hong Kong" Campaign, the Group increased its annual sponsorship for MaD in 2014, allowing 200 financially disadvantaged individuals to participate in the MaD Forum to gain inspiration from famous changemakers from around the world, as well as enabling 20 students from low-income families to join the MaD Trip. Organised by the Hong Kong Institute of Contemporary Culture, MaD provides a platform for young people to turn ideas into actions, helping them to widen their horizons.

6. **Summerbridge Hong Kong**

   Since 2006, the Group has sponsored Summerbridge Hong Kong, which aims to strengthen the English and leadership skills of financially disadvantaged young people and has served over 2,200 young people to-date. As part of its commitment to the "Bless Hong Kong" Campaign, Henderson Land pledged to increase annual sponsorship to HK$2 million for Summerbridge Hong Kong for a consecutive of three years commencing 2014. This should benefit about 900 participants and 360 student teachers.

Outstanding Partner of Social Enterprise 2013 Award

The Group was awarded "Outstanding Partner of Social Enterprise 2013", in the "Friends of Social Enterprise Award Scheme 2013" organised by Home Affairs Department. Henderson Land was nominated for the award by The Good Lab, a social enterprise that offers creative co-working space for changemakers from different fields and backgrounds so that they can work, collaborate and take action together for a sustainable, innovative and equitable future. With the Group's support as the Founding Patron, The Good Lab now has about 60 team members of founding organisations, 100 individual members and nine start-up teams and has also attracted over 2,000 visitors from overseas.

Ripple forum in MaD 2014
(Photo Courtesy of MaD)

Volunteering

Henderson Warmth Volunteer Team has been actively helping the community through a wide range of services. During the year, the team dedicated more than 3,000 hours, organised and participated in nine activities, benefitting over 1,000 needy individuals. As a result of its dedicated services, the Team received the “Gold Award for Volunteer Service 2012” from the Volunteer Movement programme under Social Welfare Department, just seven months after its inception.

Well Born and Hang Yick’s Team of Care became the Champion of “Highest Service Hour Award in 2012”, “Hong Kong Volunteer Award – Corporate Award Winner 2013” and “Hong Kong Outstanding Corporate Citizenship Award (Volunteer Team) – Gold Award” while Well Born and Hang Yick won “Hong Kong Outstanding Corporate Citizenship Award (Enterprise) – Silver Award”.

Goodwill first established a volunteer team in 2003 which, with the support of its staff and their families, has achieved “Gold Award of Volunteer Service (Organization)” from the Volunteer Movement programme under Social Welfare Department every year from 2007 to 2013. Goodwill was also a Corporate Citizenship Logo Winner in the “Hong Kong Outstanding Corporate Citizenship Award (Enterprise)” in 2013.

Volunteer activity organised by Henderson Warmth Volunteer Team

New Initiatives

In 2013, Henderson Land supported a range of new CSR initiatives.

Beneficiary	Nature	Support
The Chinese University of Hong Kong Journalism Award	Education	Provide sponsorship to recognise and reward outstanding journalists in Hong Kong, and enhance professionalism in journalism
Food For Good	Environmental education	Provide sponsorship for its setup and operation to support its work in food waste reduction, food waste recycling, and redistribution of surplus edible food to people in need
Hong Kong Red Cross	Humanitarian services	Provide sponsorship to and participate in the fundraising campaign for its New Headquarters Redevelopment Project to support the setting up of a one-stop humanitarian platform in serving more people in need

Ongoing Community Programmes

Henderson Land's existing CSR initiatives flourished during 2013 as the Group continued to support and champion their development and achievements. The table below shows some of the ongoing community programmes we launched or supported:

Initiative / Beneficiary	Support in 2013	Accumulative Social Impact
Poverty Relief		
Henderson Warmth Foundation Emergency Relief	Donated nearly HK$600,000 to support individuals and families who have suffered tragic events	Benefitted over 4,000 individuals and families since its inception in 2010
Book with Love Project 	Provided full sets of new textbooks to over 320 secondary school students from financially disadvantaged families and offered scholarships to outstanding students	The Group has co-organised and sponsored the project since 2011, accumulatively benefitting more than 870 students from low-income families
Warmth Giving Project 	Donated winter sustenance packs to about 12,000 elderly and low-income families and organised a spring lunch for the elderly as well as giving away scarves knitted by our volunteer team	The Group has co-organised and sponsored the project since 2011, accumulatively benefitting over 36,000 elderly and low-income families

Initiative / Beneficiary	Support in 2013	Accumulative Social Impact
Good Kitchen	Provided sponsorship for the social enterprise restaurant to support its ongoing operation	The Group subsidised its establishment. Over 20 employment opportunities were created with on-the-job training provided to the underprivileged since its launch in 2013
Healthcare		
Hua Xia Foundation	Donated HK$8 million to support its healthcare projects in mainland China	With the Group's donations in 2011 and 2013, over 15 healthcare and education projects have been completed, benefitting more than 58,000 people in mainland China
Youth		
Top 10 Policies of the HKSAR	Provided sponsorship to the poll which aims at strengthening the awareness of and participation in social issues and public affairs of the general public, especially young people. More than 100 secondary schools and tertiary education institutions participated this year	Since the Group's annual sponsorship to the poll in 2010, over 530,000 votes have been received with an increasing number of voters recorded annually over the past few years
Centum Navigator Project	Provided enriching experiences to underprivileged students and offered them career-based training as well as guidance and assistance during the summer vacation	The Group together with its subsidiaries and associated companies has participated in the Project since 2012, offering summer placement opportunities and company visits to over 300 students accumulatively

Initiative / Beneficiary	Support in 2013	Accumulative Social Impact
Environmental Education		
Tree Planting Challenge 	Sponsored and participated in the Challenge in which 6,500 seedlings had been planted in Ma On Shan Country Park	Since the Group's annual sponsorship in 2012, over 1,500 participants have planted 13,500 seedlings in Hong Kong under the Challenge; the newly planted seedlings are expected to absorb 310 tonnes of carbon dioxide per year to alleviate climate change
Walk for Nature@Mai Po	Sponsored the Walk and teamed up with Po Leung Kuk Children's Home by inviting 28 underprivileged children to visit Mai Po the birdwatchers' paradise	The Group has been sponsoring the Walk since 2010 to support World Wide Fund For Nature Hong Kong's conservation and education work, and invited over 230 staff and underprivileged children to explore the natural environment of the Mai Po Nature Reserve

During the year, Henderson Land again supported various NGOs and educational institutions through the provision of free or discounted exhibition space at the Group's venues. A total of 101 charitable events were held at the Group's shopping malls during the year, with subsidised venue rentals for these charitable events amounting to about HK$1,506,000.

Professional Participation

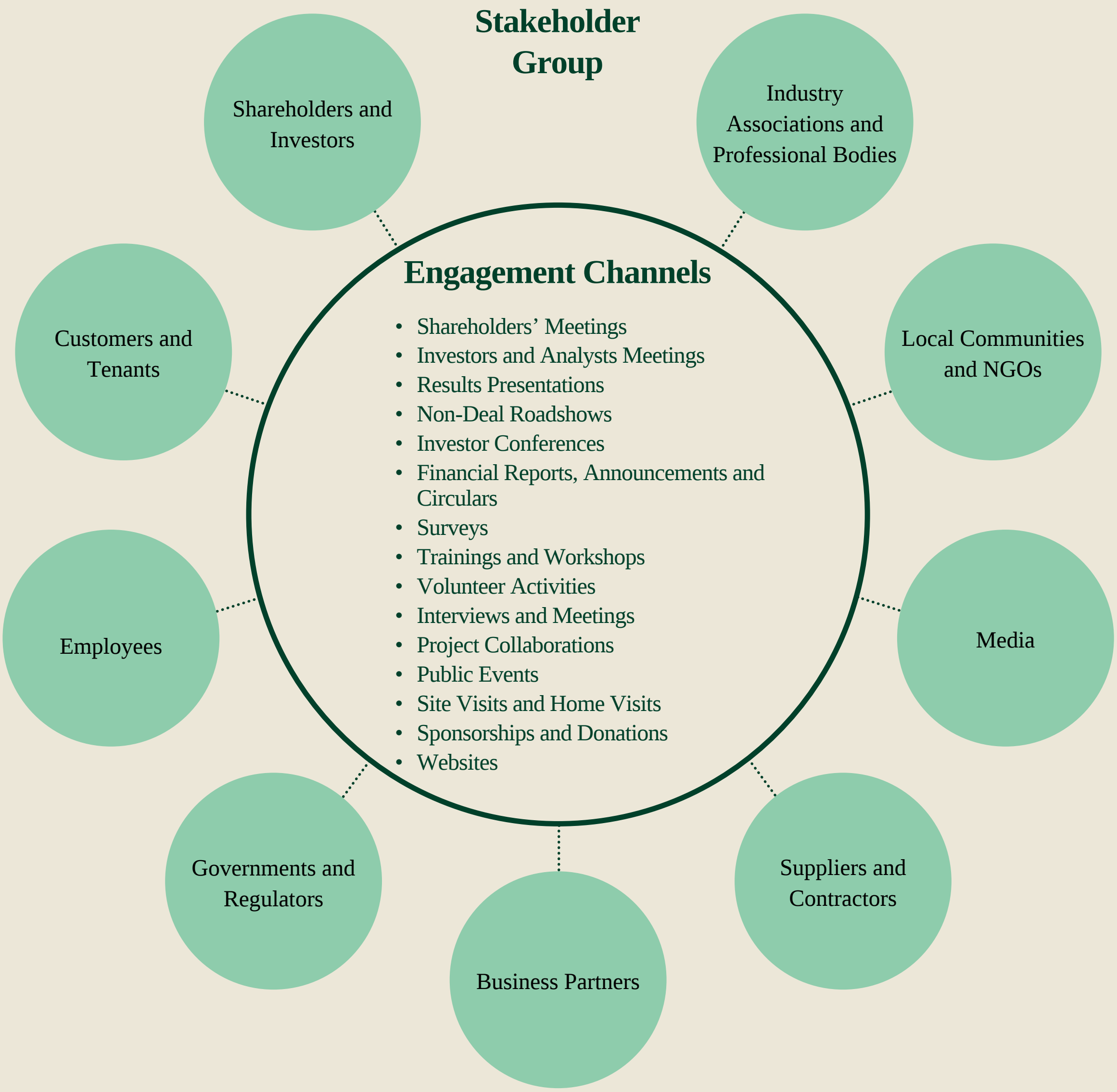
Henderson Land and its executives proactively participate in industry professional bodies to share expertise and views on industry-related public policies, and to promote best practice and increase cooperation across the sector.

Highlights of Professional Participation in 2013

Organisation	Position
BEAM Society	Corporate Member
Business Environment Council	Council Member and Chairman of Waste Management Advisory Group Steering Committee
China Green Building Council	Executive Committee Member
China Green Building (Hong Kong) Council	Founding Member and Corporate Member
Construction Industry Council ("CIC")	Council Member and various positions
Zero Carbon Building (CIC)	Chairman
Estate Agents Authority	Member
Harbour Business Forum	Patron Member
Hong Kong Construction Association	Permanent Supervisor and Council Member
Hong Kong Green Building Council	Patron Gold Member and various positions
The Hong Kong Institute of Engineers	Chairman of Building Discipline Advisory Panel and various positions
HKSAR Land and Development Advisory Committee	Member of Planning Sub-Committee and Land Sub-Committee
HKSAR Long Term Housing Strategy Steering Committee	Member
HKSAR Planners Registration Board	Member
HKSAR The Harbourfront Commission	Member
The Real Estate Developers Association of Hong Kong	Vice-President and various positions

Stakeholder Engagement

Henderson Land recognises the importance of open communications with stakeholders as an integral part of our business operations and development. We engage with our stakeholders in an active and effective manner to maintain an open dialogue with them and respond to their varied and sometimes conflicting priorities. The table below outlines our stakeholder groups and different engagement channels:



Our Customers

Henderson Land has an enduring commitment to our customers. We strive to meet their needs whilst exceeding their expectations, by delivering product and service excellence.

Handover Ambassador for the Group's new residential development

Operating Practices

The Group fully complies with relevant laws and regulations, and prides itself on providing a dedicated and efficient interface with customers. Our Customer Services Section is responsible for customer relations and after-sales services and actively seeks and responds to comments relating to purchases of our residential and commercial properties. An established procedure is in place to resolve any discrepancies swiftly and efficiently, and to systematically record complaints and feedback for regular review by senior management. Our inter-departmental handover inspection team is responsible for ensuring that newly completed apartments are up-to-standard before they are transferred to new owners, and post-inspection rectification works will be implemented when necessary.

Customers' Rights and Privacy

Henderson Land adheres to a policy of responsible communication with our customers. In respect of property sales, we strictly adhere to the 2013 Residential Properties (First-hand Sales) Ordinance, which stipulates the requirements in respect of the accuracy, transparency and disclosure of information concerning all marketing and sales activities and materials. During the year, staff from various departments underwent training to enable their better understanding of and compliance with the newly launched Ordinance. The Personal Data (Privacy) (Amendment) Ordinance 2012 (new provisions) also came into effect in April 2013, stipulating provisions for using customer data in direct marketing activities. Henderson Club, which manages a database of over 140,000 members, has updated relevant forms enabling members to opt in and opt out of receiving promotional and direct marketing materials at any time. The Club also assigned a Personal Data Privacy Officer to ensure proper management and handling of members' personal data.

Customers Satisfaction

Due to the wide range of Henderson Land's business activities, we have a variety of types of customers including property buyers, tenants and shoppers. The Group values the feedback and comments of all of our customers and each of our business units seeks their feedback and comments through various means and channels. For property sales, our Customer Services Section conducts surveys to seek the views and comments of customers on our products and services. Similarly, our property management subsidiaries, Goodwill, Well Born and Hang Yick, also regularly conduct surveys and seek feedback to ensure they are delivering a satisfactory service to tenants and property owners.

Goodwill conducts interviews after each survey to follow up with tenants on their comments and views. Where necessary, follow-up actions are taken to make improvements. Tenants' satisfaction rate with Goodwill's management services was 97.7% in 2013. Training is provided to our frontline staff to ensure they continuously deliver professional and quality customer services.

Customers' Well-being and Barrier-free Environment

The Group is committed to providing a better environment for our tenants, customers and the public at large. A wide range of facilities are installed at some of our residential and commercial properties as well as in our shopping malls for people with special needs, such as tactile guide paths, ramp access, disabled washrooms and voice synthesisers in lifts. In recognition of our proactive stance, during the year one of our shopping malls, Metro City Plaza II, received "The Harmony Award" from Direction Association For The Handicapped and Sai Kung Healthy and Safe City. Other measures are taken to improve the environment for our shoppers and tenants from time to time including refurbishments, renovations and facility upgrades to rejuvenate and revitalise our shopping malls.

Portable induction loop system is available at some of the Group's shopping malls for hearing-impaired persons

Henderson Club

The Group's customer relationship management activities are managed by Henderson Club, which provides a range of benefits, promotions and privileges with the aim of enhancing the lifestyle experience of over 140,000 members. During the year, Henderson Club strengthened its communication with members via e-channels in order to continue to disseminate news and privileges in a timely and environmentally responsible manner.

Henderson Club member activity — visit to The Good Lab, a social enterprise supported by the Group

Our Supply Chain

Henderson Land is committed to developing and maintaining effective and mutually fruitful working relationships with our supply chain.

Supply Chain Management

The Group recognises that supply chain management is essential to operational efficiency, and therefore works closely with suppliers and contractors to meet our customers' needs in an effective and efficient manner, while emphasising responsible operating practices.

The Audit Department works closely with all other departments to make sure that our tendering and procurement process is conducted in an open, fair and just manner. To ensure strict management control over the tendering process, the Group follows clear, transparent and standardised guidelines.

Our social, environmental, occupational health and safety requirements and standards are set out clearly in tendering documents and are communicated clearly to suppliers and subcontractors before the commencement of a project. The Group's Construction Department keeps an internal Subcontractor Register, and it is a prerequisite for all our subcontractors to be registered with the Construction Industry Council's Subcontractor Registration Scheme. Any subcontractors may be suspended or removed from the Registration Scheme and from our Register if they breach the accepted standards. Our site management teams closely communicate with subcontractors, and also monitor their performance on site.

Responsibility to Supply Chain

As a responsible property developer, we take various measures to monitor and mitigate labour-related risks, as well as to foster good relationships with our vendors and subcontractors. For example, registration is required for entrance into all our construction sites to ensure site safety, while all suppliers and subcontractors attend site meetings regularly for updates on construction progress, quality control and safety issues.

Also, to make sure all the workers are remunerated for their hard work, E Man requests subcontractors to provide payment records for all contract workers. Moreover, reasonable steps are taken by E Man to ensure workers have a reasonable working condition, including the working hours as well as mealtimes and breaks, and also the provision of rest areas, washrooms, washing areas and free drinking water supply.

In case of occupational injury, our safety officer makes sure detailed compensation procedures are clearly communicated to the injured or their representatives, and early wage payment may be arranged when necessary.

Corporate Governance Report

The Board of Directors of the Company (the "Board") is pleased to present the Corporate Governance Report of the Company for the year ended 31 December 2013.

1) Commitment to Corpoate Governance

The Company acknowledges the importance of good corporate governance practices and procedures and regards a pre-eminent board of directors, sound internal controls and accountability to all shareholders as the core elements of its corporate governance principles. The Company endeavours to ensure that its businesses are conducted in accordance with rules and regulations, and applicable codes and standards.

2) Corporate Governance Code

During the year ended 31 December 2013, the Company has complied with the applicable code provisions set out in the Corporate Governance Code (the "CG Code") as stated in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules"), with the exception that the roles of the chairman and the chief executive officer of the Company have not been segregated as required by code provision A.2.1 of the CG Code. The Company is of the view that it is in the best interest of the Company that Dr Lee Shau Kee, with his profound expertise in property business, shall continue in his dual capacity as the Chairman and Managing Director.

3) Board of Directors

a) Responsibilities of and Support for Directors

The Board has the responsibility for management of the Company, which includes formulating business strategies, and directing and supervising the Company's affairs, approving interim reports and annual reports, announcements and press releases of interim and final results, considering dividend policy, approving the issue, allotment or disposal or grant of options in respect of securities or debentures of the Company and reviewing the effectiveness of the internal control system which includes reviewing the adequacy of resources, staff qualifications, experience, training programmes and budget of staff of the Company's accounting and financial reporting function. The Board makes broad policy decisions and has delegated the responsibility for detailed considerations to the standing committee of the Board (the "Standing Committee").

The day-to-day management, administration and operation of the Company are delegated to the management team. The Board gives clear directions to the management as to their powers of management, and circumstances in which the management should report back.

Every Director ensures that he/she gives sufficient time and attention to the affairs of the Company. Each Director shall disclose to the Company at the time of his/her appointment the directorships held in listed companies or nature of offices held in public organisations and other significant commitment, with the identity of such listed companies or organisations. The Company has also requested Directors to provide in timely manner any change on such information. Each Director is also required to disclose to the Company their time commitment. The details of the Directors' time commitment are disclosed under the sub-paragraph "Directors' Time Commitments and Trainings" below.

All Directors have full and timely access to all relevant information as well as the advice and services of the Company Secretary, with a view to ensuring that Board procedures and all applicable rules and regulations are followed. The Directors will be notified of rule amendment updates in respect of corporate governance code so as to keep them abreast of latest rule requirements and assist them in fulfilling their responsibilities. The Directors are also provided with monthly updates which contain periodic financials with summaries of key events, outlook and business related matters of the Group. The monthly updates present a balanced and understandable assessment of the Company's performance and position. The Non-executive Directors and Independent Non-executive Directors may take independent professional advice at the Company's expense in carrying out their functions, after making a request to the Board.

b) Corporate Governance Function

The Corporate Governance Committee as set up in 2012 has undertaken the corporate governance function as required under the CG Code. Details of the Corporate Governance Committee are shown in paragraph 4 "Board Committees" below.

c) Board Composition

The Board currently comprises twenty two members, as detailed below:

Executive Directors	Non-executive Directors	Independent Non-executive Directors
Lee Shau Kee *(Chairman and Managing Director)*	Lee Pui Ling, Angelina	Kwong Che Keung, Gordon
Lee Ka Kit *(Vice Chairman)*	Lee Tat Man	Ko Ping Keung
Lam Ko Yin, Colin *(Vice Chairman)*		Wu King Cheong
Lee Ka Shing *(Vice Chairman)*		Woo Ka Biu, Jackson
Yip Ying Chee, John		Leung Hay Man
Suen Kwok Lam		Poon Chung Kwong
Lee King Yue		Chung Shui Ming, Timpson
Fung Lee Woon King		Au Siu Kee, Alexander
Lau Yum Chuen, Eddie		
Li Ning		
Kwok Ping Ho		
Wong Ho Ming, Augustine		

The biographical details of the Directors are set out on pages 134 to 138 of this Annual Report. Dr Lee Shau Kee is the father of Mr Lee Ka Kit and Mr Lee Ka Shing, father-in-law of Mr Li Ning, and the brother of Mr Lee Tat Man and Madam Fung Lee Woon King. Save as aforesaid, none of the members of the Board is related to one another. A List of Directors and their Role and Function is available on the Company's website.

The Board comprises male and female Directors with diverse backgrounds and/or extensive expertise in the Group's businesses. The Board also has a balanced composition of executive and non-executive directors so that there is a strong independent element on the board, which can effectively exercise independent judgement.

The term of office of all Non-executive Directors (including Independent Non-executive Directors) has been fixed for a specific term for not more than three years. They are subject to retirement by rotation and re-election at the Company's Annual General Meeting ("AGM") in accordance with the Articles of Association of the Company ("Articles").

During the year ended 31 December 2013, the Board at all times met the requirements of the Listing Rules relating to the appointment of at least three Independent Non-executive Directors with at least one Independent Non-executive Director possessing appropriate professional qualifications, or accounting or related financial management expertise. The Company has also met the requirement of at least one-third of members of the Board being independent non-executive directors.

The Company has received confirmation in writing of independence from each of the Independent Non-executive Directors and considers them to be independent of the management and free of any relationship that could materially interfere with the exercise of their independent judgement. The Board considers that each of the Non-executive Directors and Independent Non-executive Directors brings his/her own relevant expertise to the Board.

d) Appointment and Re-election of Directors

The Board is empowered under the Articles to appoint any person as a Director to fill a casual vacancy on or as an additional member of the Board. Only the most suitable candidates who are experienced and competent and able to fulfill the fiduciary duties and duties of skill, care and diligence would be recommended to the Board for selection. Appointments are first considered by the Nomination Committee in accordance with its terms of reference and the Company's board diversity policy, and recommendation of the Nomination Committee are then put to the Board for decision.

In accordance with the Articles, new appointments to the Board are subject to re-election by shareholders at the next following AGM. Furthermore, the nearest one-third of the Directors, including those appointed for a specific term, will retire from office by rotation but are eligible for re-election by shareholders at the AGM and the Board will ensure that every Director is subject to retirement by rotation at least once every three years. Each director was appointed by a letter of appointment setting out the key terms and conditions of his/her appointment.

The appointment of Independent Non-executive Directors adheres to the guidelines for assessing independence as set out in Rule 3.13 of the Listing Rules. The following Independent Non-executive Directors had/have previous/existing directorships that fall within the independence guideline in Rule 3.13(7) of the Listing Rules among the factors affecting independence:

(i) Mr Leung Hay Man ("Mr Leung") was a Non-executive Director of the Company and Henderson Investment Limited, a subsidiary of the Company, prior to his re-designation as Independent Non-executive Director in August 2012. In view of Mr Leung's previous directorships involving no active management role, the Company considers that Mr Leung's previous directorships have no bearing on his independence.

(ii) Mr Au Siu Kee, Alexander ("Mr Au") is currently the Chairman and a Non-executive Director of Henderson Sunlight Asset Management Limited ("HSAM"), the manager of Sunlight Real Estate Investment Trust ("Sunlight REIT") which may be regarded as connected person of the Company. Prior to his re-designation as Independent Non-executive Director in December 2012, Mr Au was a Non-executive Director of the Company. Having regard to his non-executive role in HSAM and the Company, the Company considers that such existing/previous directorships of Mr Au have no bearing on his independence.

e) Board Meetings

i) Number of Meetings and Directors' Attendance

The Board meets from time to time to discuss and exchange ideas on the affairs of the Company. During the year ended 31 December 2013, the Board held five meetings to approve interim/final results announcements and interim/annual reports, to determine the level of dividends, to discuss significant issues and the general operation of the Company and to approve matters and transactions specifically reserved to the Board for its decision. The attendance of the Directors is set out in the table on page 113.

During the year, the Non-executive Directors (including Independent Non-executive Directors) held a meeting themselves. In addition, the Chairman held a meeting with the Non-executive Directors (including Independent Non-executive Directors) without the Executive Directors present in accordance with the CG Code.

ii) *Practices and Conduct of Meetings*

Notices of regular Board meetings are given to all Directors at least 14 days before the meetings. For other Board and committee meetings, reasonable notice is generally given.

The Company Secretary of the Company is responsible to take and keep minutes of all Board meetings and committee meetings. Draft minutes are normally circulated to Directors for comment within a reasonable time after each meeting and the final signed version is sent to all Directors for their records and open for Directors' inspection.

f) Conflict of Interest

If a director on the issuer level has a material interest in a matter to be considered by the Board, a physical meeting will be held to discuss the matter instead of seeking Directors' written consent by way of circulation of written resolution. In accordance with the Articles, such Director who considered to be materially interested in the matter shall abstain from voting and not be counted in the quorum.

g) Director's and Officer's Liability Insurance

The Company has arranged director's and officer's liability insurance to indemnify the Directors and senior management against any potential liability arising from the Company's business activities which such Directors and senior management may be held liable.

The Company also keeps Directors indemnified against any claims to the fullest extent permitted by the applicable laws and regulations arising out of Directors' proper discharge of duties except for those attributable to any gross negligence or wilful misconduct.

h) Directors' Time Commitments and Trainings

The Company has received confirmation from each Director that he/she had sufficient time and attention to the affairs of the Company for the year. Directors have disclosed to the Company the number and nature of offices held in Hong Kong or overseas listed public companies or organisations and other significant commitments, with the identity of the public companies and organisations and an indication of the time involved. Directors are encouraged to participate in professional, public and community organisations. They are also reminded to notify in a timely manner the Company of any change of such information. In respect of those Directors who stand for re-election at the 2014 AGM, all their directorships held in listed public companies in the past three years are set out in the circular and general mandates. Other details of Directors are set out in the biographical details of Directors on pages 134 to 138 of this Annual Report.

During the year, arrangements were made to have speakers delivering talks and presentations to Directors of the Company on relevant topics with emphasis on the roles, functions and duties of directors of the Company, as well as corporate governance. Talks arranged during the year included the topics of "Inside Information – An Introduction to the new Part XIVA of the Securities and Futures Ordinance", "Residential Properties (First-hand Sales) Ordinance" and "New Companies Ordinance". Monthly legal and regulatory updates are provided to the Directors for their reading. Directors are also encouraged to attend outside talks and seminars to enrich their knowledge in discharging their duties as a director. On a regular basis, information of seminars organised by professional bodies are provided to the Directors, and the seminar enrolments are handled by the company secretarial department.

According to the training records provided by the Directors to the Company, all Directors participated in continuous professional development in 2013 which comprised attending seminars and talks, and reading legal and regulatory updates and other reference materials.

4) Board Committees

The Board has five Board Committees, namely, the Standing Committee, the Audit Committee, the Remuneration Committee, the Nomination Committee, and the Corporate Governance Committee for overseeing particular aspects of the Company's affairs. The Standing Committee of the Board operates as a general management committee with delegated authority from the Board. During the year, revised terms of reference of the Nomination Committee have been approved and adopted in accordance with the CG Code.

The Board Committees are provided with sufficient resources to discharge their duties and, upon reasonable request, are able to seek independent professional advice in appropriate circumstances, at the Company's expenses.

a) Audit Committee

The Audit Committee was established in December 1998 and reports to the Board. The members of the Audit Committee are:

Independent Non-executive Directors

Kwong Che Keung, Gordon *(Chairman)*
Ko Ping Keung
Wu King Cheong
Leung Hay Man

The Chairman has the appropriate professional qualifications as required under the Listing Rules. None of the members of the Audit Committee was a former partner of the Company's existing external auditor within one year immediately prior to the dates of their respective appointments. All members have appropriate skills and experience in reviewing financial statements as well as addressing significant control and financial issues of public companies. The Board expects the Committee members to exercise independent judgement in conducting the business of the Committee.

The written terms of reference include the authority and duties of the Audit Committee and amongst its principal duties are the review and supervision of the Company's financial reporting process and internal control procedures. The terms of reference of the Audit Committee are available on the Company's website.

The Audit Committee held four meetings during the year ended 31 December 2013. The major work performed by the Audit Committee in respect of the year ended 31 December 2013 included reviewing and recommending the re-appointment of external auditor, approving the terms of engagement (including the remuneration) of the external auditor and the audit plan, reviewing the unaudited interim report and interim results announcement for the six months ended 30 June 2013, reviewing the audited accounts and final results announcement for the year ended 31 December 2012, reviewing the work of the Group's internal audit department and assessing the effectiveness of the Group's systems of risk management, corporate governance and cost control. The Audit Committee also discussed with the management to ensure that the Company is having adequate resources, qualified and experienced staff of the accounting and financial reporting function, and training programmes and budget.

b) Remuneration Committee

The Remuneration Committee which was established in January 2005 comprises:

Executive Directors	Independent Non-executive Directors
Lee Shau Kee	Wu King Cheong *(Chairman)*
Lam Ko Yin, Colin	Kwong Che Keung, Gordon
	Ko Ping Keung

Each member is sufficiently experienced and is appropriately skilled in the issues of determining executive compensations in public companies. The Board expects the Committee members to exercise independent judgement in conducting the business of the Committee.

The written terms of reference include the specific duties of determining, with delegated responsibility, the remuneration package of the individual Executive Director and senior management and making recommendations to the Board on the Company's policy and structure for all remuneration of directors and senior management. The terms of reference of the Remuneration Committee are available on the Company's website.

During the year ended 31 December 2013, the Remuneration Committee held a meeting to review the salary structure of the employees of the Company as well as the remuneration of senior management staff. The Committee also reviews the remuneration of the Directors with reference to the remuneration level of directors of comparable listed companies.

Particulars of the Directors' remuneration disclosed pursuant to the Hong Kong Companies Ordinance and Appendix 16 of the Listing Rules are set out in note 9 to the accounts on pages 181 and 182 while the analysis of the Senior Management's remuneration by bands is set out on page 183. The director's fees are fixed at the rate of HK$100,000 per annum for each Executive Director/Non-executive Director, HK$200,000 per annum for each Independent Non-executive Director and in case of each Independent Non-executive Director acting as member of (i) the Audit Committee an additional remuneration at the rate of HK$250,000 per annum, (ii) the Nomination Committee an additional remuneration at the rate of HK$50,000 per annum, (iii) the Remuneration Committee an additional remuneration at the rate of HK$50,000 per annum and (iv) the Corporate Governance Committee an additional remuneration at the rate of HK$100,000 per annum until the Company in general meetings otherwise determines. Other emoluments shall from time to time be determined by the Board with reference to the Directors' duties and responsibilities and subject to a review by the Remuneration Committee.

c) Nomination Committee

The Nomination Committee which was established in December 2011 comprises:

Executive Directors	Independent Non-executive Directors
Lee Shau Kee *(Chairman, in his absence, Ko Ping Keung, acting as Chairman)*	Kwong Che Keung, Gordon
Lam Ko Yin, Colin	Ko Ping Keung
	Wu King Cheong

Each member is sufficiently experienced and is appropriately skilled in the issues of the nomination of directors to the Board. The Company has provided the Nomination Committee with sufficient resources to perform its duties. Nomination Committee may seek independent professional advice, at the Company's expense, to perform its responsibilities.

During the year, the Company's board diversity policy and the revised terms of reference of the Nomination Committee were approved and adopted. The written terms of reference include the specific duties of reviewing of the structure, size and composition of the Board with due regards to the board diversity policy and to make recommendation on any proposed changes to the Board to complement the Company's corporate policy. The board diversity policy provides that selection of candidates will be based on a range of diversity perspectives, which would include but not be limited to gender, age, cultural and educational background, professional experience, skills, knowledge and length of service. The ultimate decision will be based on merit and contribution that the selected candidates will bring to the Board. The terms of reference of the Nomination Committee are available on the Company's website.

During the year ended 31 December 2013, the Nomination Committee held two meetings to assess the independence of Independent Non-executive Directors of the Company, review the size and composition of the Board and recommend to extend the terms of office of certain Non-executive Directors of the Company.

The Nomination Committee noted that the re-election of Mr Wu King Cheong ("Mr Wu") who had served as an Independent Non-executive Director of the Company since January 2005 for more than 9 years should be subject to a separate resolution to be approved at the forthcoming annual general meeting in accordance with the CG Code. Mr Wu is also the Chairman of the Remuneration Committee, a member of the Audit Committee and the Nomination Committee. During his tenure of office, Mr Wu had been able to fulfill all the requirements regarding his independence as independent non-executive director and provide annual confirmation of independence to the Company. Besides, he had been providing objective and independent views to the Company over the years, and he remains committed to this independent role. The members of the Nomination Committee were of the view that the long service of Mr Wu would not affect his exercise of independent judgement and were satisfied that Mr Wu has the required character, integrity and experience to continue fulfilling the role of an independent non-executive director.

Mr Wu is an independent non-executive director of Henderson Investment Limited (a subsidiary of the Company), Hong Kong Ferry (Holdings) Company Limited (an associated company of the Company) and Miramar Hotel and Investment Company, Limited (an associated company of the Company), all of which are listed companies. Mr Wu had not engaged in any executive management role in the Group and the aforesaid listed companies. Taking into the consideration of his independent scope of works in the past years, and that his annual confirmation of independence was in full compliance with the Rule 3.13 of the Listing Rules, the members of the Nomination Committee were satisfied with the independence of Mr Wu despite his over nine years' service and his common directorship in the aforesaid listed companies, which had no bearing on his independence.

d) Corporate Governance Committee

The Corporate Governance Committee which was established in October 2012 comprises:

Independent Non-executive Directors

Chung Shui Ming, Timpson *(Chairman)*
Leung Hay Man
Poon Chung Kwong

Each member is sufficiently experienced and is appropriately skilled in the issues of corporate governance. The Company has provided the Corporate Governance Committee with sufficient resources to perform its duties.

The written terms of reference include the duties of developing and reviewing the Company's policies and practices on corporate governance and monitor such policies and practices on compliance with legal and regulatory requirements. The terms of reference of the Corporate Governance Committee are available on the Company's website.

During the year, the Corporate Governance Committee held a meeting to review the Company's policies and practices on corporate governance and formulated the workplan for the 2013 Corporate Governance Report.

e) Attendance Record at Board Meetings, Committees' Meetings and Annual General Meeting

The attendance of the individual Director at the meetings of the Board, the Audit Committee, the Remuneration Committee, the Nomination Committee, the Corporate Governance Committee and Annual General Meeting during the year ended 31 December 2013 is set out in the following table:

	No. of meetings attended/No. of meetings held					
	Board	Audit Committee	Remuneration Committee	Nomination Committee	Corporate Governance Committee	Annual General Meeting
Executive Directors:						
Lee Shau Kee *(Chairman and Managing Director)*	4/4[1]	N/A	1/1	2/2	N/A	1/1
Lee Ka Kit	4/4[1]	N/A	N/A	N/A	N/A	1/1
Lam Ko Yin, Colin	5/5	N/A	1/1	2/2	N/A	1/1
Lee Ka Shing	4/4[1]	N/A	N/A	N/A	N/A	1/1
Yip Ying Chee, John	5/5	N/A	N/A	N/A	N/A	1/1
Suen Kwok Lam	5/5	N/A	N/A	N/A	N/A	1/1
Lee King Yue	5/5	N/A	N/A	N/A	N/A	1/1
Fung Lee Woon King	4/4[1]	N/A	N/A	N/A	N/A	1/1
Lau Yum Chuen, Eddie	5/5	N/A	N/A	N/A	N/A	1/1
Li Ning	4/4[1]	N/A	N/A	N/A	N/A	1/1
Kwok Ping Ho	5/5	N/A	N/A	N/A	N/A	1/1
Wong Ho Ming, Augustine	5/5	N/A	N/A	N/A	N/A	1/1
Non-executive Directors:						
Lee Pui Ling, Angelina	5/5	N/A	N/A	N/A	N/A	1/1
Lee Tat Man	4/4[1]	N/A	N/A	N/A	N/A	1/1
Independent Non-executive Directors:						
Kwong Che Keung, Gordon	5/5	4/4	1/1	2/2	N/A	1/1
Ko Ping Keung	5/5	4/4	1/1	2/2	N/A	1/1
Wu King Cheong	5/5	4/4	1/1	2/2	N/A	1/1
Woo Ka Biu, Jackson	4/4[2]	N/A	N/A	N/A	N/A	0/1
Leung Hay Man	5/5	4/4	N/A	N/A	1/1	1/1
Poon Chung Kwong	5/5	N/A	N/A	N/A	1/1	1/1
Chung Shui Ming, Timpson	4/5	N/A	N/A	N/A	1/1	1/1
Au Siu Kee, Alexander	5/5	N/A	N/A	N/A	N/A	1/1

Remarks: 1. *One board meeting was to consider the connected transactions with the companies controlled by privates trusts of the family of Dr Lee Shau Kee. Owing to the deemed material interest in the connected transactions discussed at the meeting, Dr Lee Shau Kee, Mr Lee Ka Kit, Mr Lee Ka Shing, Madam Fung Lee Woon King, Mr Li Ning and Mr Lee Tat Man were not counted to the quorum of the meeting.*

2. *One board meeting was to consider the connected transaction in which Mr Woo Ka Biu, Jackson, being the son of Sir Po-shing Woo, was considered to have material interest and was not counted to the quorum of the meeting.*

5) Directors' Responsibility for the Financial Statements

The Directors acknowledge their responsibility for preparing the financial statements for the year ended 31 December 2013, which give a true and fair view of the state of affairs of the Company and of the Group at that date and of the Group's results and cash flows for the year then ended and are properly prepared on the going concern basis in accordance with the statutory requirements and applicable accounting standards.

The statement of the Auditor of the Company about their reporting responsibilities on the financial statements of the Company is set out in the Auditor's Report on page 142.

6) Auditor's Remuneration

For the year ended 31 December 2013, the Auditor(s) of the Company and its subsidiaries received approximately HK$19.4 million for audit and audit related services (2012: HK$19.1 million) as well as HK$2.0 million for non-audit services (2012: HK$1.2 million). The significant non-audit services covered by these fees included the following:

Nature of service		**Fees paid (HK$ million)**
Tax services		0.96
Other services		1.04
	Total:	2.00

7) Model Code

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers of the Listing Rules as the code for dealing in securities of the Company by the Directors (the "Model Code"). Having made specific enquiries, the Company confirms that all Directors have complied with the required standards as set out in the Model Code.

8) Continuing Connected Transactions and Connected Transactions

The Independent Non-executive Directors and the Auditors of the Company conducted reviews on the continuing connected transactions as disclosed in the Report of the Directors of this Annual Report. The Independent Non-executive Directors would also review those connected transactions that are subject to the announcement requirements under the Listing Rules.

9) Inside Information Policy

The Board approved and adopted the Inside Information Policy in December 2012 which contains the guidelines to the directors, officers and all relevant employees (likely possessing the unpublished Inside Information) of the Group to ensure that the Inside Information of the Group is to be disseminated to public in equal and timely manner in accordance with the applicable laws and regulations. The Inside Information Policy has been posted on the Company's website.

During the year, the Company organised a seminar at which an experienced lawyer briefed the Directors and department heads of the Company on the obligations under the new statutory regime of inside information as well as the Inside Information Policy.

10) Corporate Social Responsibility

The Company is a founding constituent member of the Hang Seng Corporate Sustainability Index Series launched in July 2010.

A Corporate Social Responsibility Committee, chaired by a Vice-chairman with certain directors and department heads as members, was formed in 2012 to assist the Board in reviewing corporate social responsibility policies and overseeing relevant issues including workplace quality, environmental protection, operating practices and community involvement. A Sustainability and CSR Report is set out on pages 80 to 105 of this Annual Report. The Corporate Social Responsibility Policy and the terms of reference of the Corporate Social Responsibility Committee have been adopted and posted on the Company's website.

During the year, the Corporate Social Responsibility Committee held a meeting to review the corporate social responsibility policies and performance as well as formulate the strategies for the coming year.

11) Internal Controls

The Board is responsible for ensuring sound and effective internal control systems to safeguard the shareholders' investment and the Company's assets.

The Internal Audit Department of the Company, which reports directly to the Audit Committee and is independent of the Company's daily operations, is responsible for conducting regular audit on the major activities of the Company. Its objective is to ensure that all material controls, including financial, operational and compliance controls and risk management functions are in place and functioning effectively. During the year, the Board has reviewed through the Audit Committee the effectiveness of the Group's internal control systems, and the adequacy of resources, staff qualifications and experience, training programmes and budget of the accounting and financial reporting function in order to ensure that they meet with the dynamic and ever changing business environment, and is satisfied that such systems are effective and adequate.

In addition, an email link was set up in the webpage of the intranet of the Company for employees to express their opinion or concern about the Group's operations directly to the Vice Chairman.

12) Amendments to Articles of Association

On 3 March 2014, the new Companies Ordinance, Chapter 622 of the laws of Hong Kong (the "Companies Ordinance") has replaced the old Companies Ordinance (Chapter 32) and the old Companies Ordinance has been amended as Companies (Winding up and Miscellaneous Provisions) Ordinance (Chapter 32 of the laws of Hong Kong) which now mainly contains provisions relating to prospectuses, winding-up, insolvency of companies and disqualification of directors.

In view of the above changes, the Company will amend its Articles of Association in alignment with the Companies Ordinance.

13) Company Secretary

The company secretary is to support the Board by ensuring good information flow with the Board as well as the board policy and procedures being followed. The company secretary is responsible for advising the Board through the Chairman on governance matters and also facilitates the induction and professional development of Directors.

During the year, the company secretary has taken no less than 15 hours of relevant professional training.

14) Shareholder Rights and Investor Relations

The Board is committed to maintaining an on-going dialogue with shareholders and providing timely disclosure of information concerning the Group's material developments to shareholders and investors.

The annual general meetings ("AGM") of the Company provide a forum for communication between shareholders and the Board. The notice of the AGM is despatched to all shareholders at least 20 clear business days prior to such AGM. The chairmen of all Board Committees are invited to attend the AGM. The Chairman of the Board and the chairmen of all the Board Committees, or in their absence, other members of the respective Committees, are available to answer questions at the AGM. The Auditor is also invited to attend the AGM to answer questions about the conduct of the audit, the preparation and content of the auditors' report, the accounting policies and auditor's independence. The Company's policy is to involve shareholders in the Company's affairs and to communicate with them about the activities and prospects face-to-face at the AGM.

Pursuant to the Listing Rules, any vote of shareholders at a general meeting will be taken by poll. Detailed procedures for conducting a poll will be explained to the shareholders at the commencement of the general meeting to ensure that shareholders are familiar with such voting procedures. The poll results will be posted on the websites of The Stock Exchange of Hong Kong Limited and the Company on the business day following the general meeting. Moreover, a separate resolution will be proposed by the chairman of a general meeting in respect of each substantially separate issue.

Under Section 566 of the Companies Ordinance, shareholders representing at least 5% of the total voting rights of all the shareholders having a right to vote at the general meetings are entitled to send a request to the Company to convene a general meeting. Such requisition must state the general nature of the business to be dealt with at the meeting and may include the text of a resolution that may properly be moved and is intended to be moved at the meeting. The request may be sent to the Company in hard copy form or in electronic form and must be authenticated by the shareholder(s) making it and deposited at the registered office of the Company or sent to the Company's email address at ir@hld.com. Besides, in relation to an annual general meeting which a company is required to hold, Sections 615 and 616 of the Companies Ordinance provide that shareholders representing at least 2.5% of the total voting rights of all shareholders of the company having a right to vote on the resolution at the annual general meeting or at least 50 shareholders having a right to vote on the resolution at the annual general meeting, may request the company to circulate a notice of the resolution for consideration at the annual general meeting, by sending a request, which must be authenticated by the shareholders making it, in a hard copy form or electronic form. Such request must be deposited at the registered office of the Company or sent to the Company's email address at ir@hld.com.

Shareholders may make enquiries to the Board by contacting the Company either through the Company Investor Relations on telephone number 2908 8392 or email at ir@hld.com directly by raising questions at general meetings.

The Company has also maintained a Shareholders' Communication Policy to handle enquires put to the Board and contact details have been provided so as to enable such enquires be properly directed. The Shareholders' Communication Policy is available on the Company's website.

The Company continues to enhance communications and relationships with its investors. Designated senior management maintains regular communication and dialogue with shareholders, investors and analysts. A meeting with analysts will be held after the announcement of interim or annual results which strengthens the communication with investors. Enquiries from investors are dealt with in an informative and timely manner.

As a channel to further promote effective communication, the Group maintains a website at http://www.hld.com where the Company's announcements and press releases, business developments and operations, financial information, corporate governance code and other information are posted.

Report of the Directors

The Directors have pleasure in submitting to shareholders their annual report together with the audited accounts for the year ended 31 December 2013.

Principal Activities

The Company is an investment holding company and the principal activities of its subsidiaries during the year were property development and investment, construction, infrastructure, hotel operation, finance, department store operation, project management, investment holding and property management.

An analysis of the Group's turnover and contribution from operations by business segments and geographical segments, is set out in note 16 to the accounts on pages 192 to 195.

Subsidiaries

Particulars of the principal subsidiaries of the Company as at 31 December 2013 are set out on pages 228 to 235.

Group Profit

The profit of the Group for the year ended 31 December 2013 and the state of affairs of the Company and the Group at that date are set out in the accounts on pages 143 to 237.

Dividends

An interim dividend of HK$0.32 per share was paid on 17 October 2013. The Directors have recommended the payment of a final dividend of HK$0.74 per share to shareholders whose names appear on the Register of Members of the Company on Tuesday, 17 June 2014, and such final dividend will not be subject to any withholding tax in Hong Kong.

The proposed final dividend will be payable in cash, with an option granted to shareholders to receive new and fully paid shares in lieu of cash under the scrip dividend scheme ("Scrip Dividend Scheme"). The new shares will, on issue, not be entitled to the proposed final dividend and bonus shares, but will rank pari passu in all other respects with the existing shares. The circular containing details of the Scrip Dividend Scheme and the relevant election form will be sent to Shareholders on or about Friday, 20 June 2014.

The Scrip Dividend Scheme is conditional upon the passing of the resolution relating to the payment of final dividend at the forthcoming annual general meeting and the Listing Committee of The Stock Exchange of Hong Kong Limited granting the listing of and permission to deal in the new shares to be issued under the Scrip Dividend Scheme.

Final dividend will be distributed, and the share certificates to be issued under the Scrip Dividend Scheme will be sent to Shareholders on Friday, 18 July 2014.

Issue of Bonus Shares

The Board of Directors proposes to make a bonus issue of one new share for every ten shares (2012: one bonus share for every ten shares) held to shareholders whose names appear on the Register of Members on Tuesday, 17 June 2014. The relevant resolution will be proposed at the forthcoming annual general meeting, and if passed and upon the Listing Committee of The Stock Exchange of Hong Kong Limited granting the listing of and permission to deal in such new shares, share certificates of the bonus shares will be posted on Friday, 18 July 2014.

Charitable Donations

Charitable donations made by the Group during the year amounted to HK$53,000,000 (2012: HK$54,000,000).

Fixed Assets

Particulars of the movements in fixed assets during the year are set out in note 17 to the accounts on pages 196 to 200.

Bank Loans and Overdrafts, Guaranteed Notes and Medium Term Note Programme

Particulars of bank loans and overdrafts, Guaranteed Notes and Medium Term Note Programme of the Company and the Group as at 31 December 2013 are set out in notes 30 and 31 to the accounts on pages 214 to 216, respectively.

Interest Capitalised

The amount of interest capitalised by the Group during the year ended 31 December 2013 is set out in note 8(a) to the accounts on page 179.

Reserves

Particulars of the movements in reserves during the year ended 31 December 2013 are set out in note 33 to the accounts on pages 217 to 220.

Share Capital

During the year, the Company issued 241,484,258 bonus shares on the basis of one share for every ten shares held, 27,226,787 shares in lieu of the 2012 final cash dividend at a market value of HK$46.34 per share and 15,442,515 shares in lieu of the 2013 interim cash dividends at a market value of HK$47.09 per share.

Details of the Company's share capital are set out in note 33(b) to the accounts on page 218.

Group Financial Summary

The results, assets and liabilities of the Group for the 18-month period ended 31 December 2009 and for the last four years ended 31 December 2013 are summarised on pages 78 and 79.

Development and Investment Properties

Particulars of development and investment properties of the Group are set out on pages 38 to 63.

Directors' Remuneration

Particulars of the Directors' remuneration disclosed pursuant to Section 383 of the Companies Ordinance and Appendix 16 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited are set out in note 9 to the accounts on pages 181 and 182.

Directors

The Directors of the Company during the financial year and up to the date of this report were:

Executive Directors	Non-executive Directors	Independent Non-executive Directors
Dr Lee Shau Kee *(Chairman and Managing Director)*	Lee Pui Ling, Angelina	Kwong Che Keung, Gordon
Lee Ka Kit *(Vice Chairman)*	Lee Tat Man	Professor Ko Ping Keung
Lam Ko Yin, Colin *(Vice Chairman)*		Wu King Cheong
Lee Ka Shing *(Vice Chairman)*		Woo Ka Biu, Jackson
Yip Ying Chee, John		Leung Hay Man
Suen Kwok Lam		Professor Poon Chung Kwong
Lee King Yue		Dr Chung Shui Ming, Timpson
Fung Lee Woon King		Au Siu Kee, Alexander
Lau Yum Chuen, Eddie		
Li Ning		
Kwok Ping Ho		
Wong Ho Ming, Augustine		

Mr Lee Ka Kit, Mr Lee Ka Shing, Mr Suen Kwok Lam, Madam Fung Lee Woon King, Mr Lau Yum Chuen, Eddie, Mrs Lee Pui Ling, Angelina and Mr Wu King Cheong will retire by rotation at the forthcoming annual general meeting in accordance with Article 116 of the Company's Articles of Association and Corporate Governance Code and, being eligible, offer themselves for re-election. Mr Wu King Cheong has served as Independent Non-executive Directors of the Company for more than nine years. Under the Corporate Governance Code, his further appointment should be subject to separate resolutions to be approved by the shareholders.

Disclosure of Interests

Directors' Interests in Shares

As at 31 December 2013, the interests and short positions of each Director of the Company in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO")) as recorded in the register required to be kept under Section 352 of the SFO or which were notified to the Company or as otherwise notified to the Company and The Stock Exchange of Hong Kong Limited pursuant to the Model Code for Securities Transactions by Directors of Listed Companies were as follows:

Ordinary Shares (unless otherwise specified)
Long Positions

Name of Company	Name of Director	Note	Personal Interests	Family Interests	Corporate Interests	Other Interests	Total	% Interest
Henderson Land Development Company Limited	Lee Shau Kee	1	8,651,546		1,762,364,962		1,771,016,508	65.62
	Lee Ka Kit	1				1,761,330,730	1,761,330,730	65.26
	Lee Ka Shing	1				1,761,330,730	1,761,330,730	65.26
	Li Ning	1		1,761,330,730			1,761,330,730	65.26
	Au Siu Kee, Alexander	2				67,564	67,564	0.00
	Lee Tat Man	3	124,353				124,353	0.00
	Lee Pui Ling, Angelina	4	35,190				35,190	0.00
	Lee King Yue	5	295,838		23,219		319,057	0.01
	Fung Lee Woon King	6	1,387,227				1,387,227	0.05
	Woo Ka Biu, Jackson	7		2,200			2,200	0.00
	Chung Shui Ming, Timpson	8	55,000				55,000	0.00
Henderson Investment Limited	Lee Shau Kee	9			2,115,274,943		2,115,274,943	69.41
	Lee Ka Kit	9				2,110,868,943	2,110,868,943	69.27
	Lee Ka Shing	9				2,110,868,943	2,110,868,943	69.27
	Li Ning	9		2,110,868,943			2,110,868,943	69.27
	Lee Tat Man	10	6,666				6,666	0.00
	Lee King Yue	11	1,001,739				1,001,739	0.03
The Hong Kong and China Gas Company Limited	Lee Shau Kee	12			3,967,288,023		3,967,288,023	41.50
	Lee Ka Kit	12				3,967,288,023	3,967,288,023	41.50
	Lee Ka Shing	12				3,967,288,023	3,967,288,023	41.50
	Li Ning	12		3,967,288,023			3,967,288,023	41.50
	Au Siu Kee, Alexander	13		88,579			88,579	0.00
	Poon Chung Kwong	14				124,460	124,460	0.00
Hong Kong Ferry (Holdings) Company Limited	Lee Shau Kee	15	799,220		118,732,090		119,531,310	33.55
	Lee Ka Kit	15				118,732,090	118,732,090	33.33
	Lee Ka Shing	15				118,732,090	118,732,090	33.33
	Li Ning	15		118,732,090			118,732,090	33.33
	Lam Ko Yin, Colin	16	150,000				150,000	0.04
	Fung Lee Woon King	17	465,100				465,100	0.13
	Leung Hay Man	18	2,250				2,250	0.00
Miramar Hotel and Investment Company, Limited	Lee Shau Kee	19			260,239,250		260,239,250	45.08
	Lee Ka Kit	19				260,239,250	260,239,250	45.08
	Lee Ka Shing	19				260,239,250	260,239,250	45.08
	Li Ning	19		260,239,250			260,239,250	45.08
Towngas China Company Limited	Lee Shau Kee	20			1,628,172,901		1,628,172,901	62.31
	Lee Ka Kit	20				1,628,172,901	1,628,172,901	62.31
	Lee Ka Shing	20				1,628,172,901	1,628,172,901	62.31
	Li Ning	20		1,628,172,901			1,628,172,901	62.31

Ordinary Shares (unless otherwise specified) *(continued)*
Long Positions

Name of Company	Name of Director	Note	Personal Interests	Family Interests	Corporate Interests	Other Interests	Total	% Interest
Henderson Development Limited	Lee Shau Kee	21			8,190 (Ordinary A Shares)		8,190 (Ordinary A Shares)	100.00
	Lee Shau Kee	22			3,510 (Non-voting B Shares)		3,510 (Non-voting B Shares)	100.00
	Lee Shau Kee	23	35,000,000 (Non-voting Deferred Shares)		15,000,000 (Non-voting Deferred Shares)		50,000,000 (Non-voting Deferred Shares)	100.00
	Lee Ka Kit	21				8,190 (Ordinary A Shares)	8,190 (Ordinary A Shares)	100.00
	Lee Ka Kit	22				3,510 (Non-voting B Shares)	3,510 (Non-voting B Shares)	100.00
	Lee Ka Kit	23				15,000,000 (Non-voting Deferred Shares)	15,000,000 (Non-voting Deferred Shares)	30.00
	Lee Ka Shing	21				8,190 (Ordinary A Shares)	8,190 (Ordinary A Shares)	100.00
	Lee Ka Shing	22				3,510 (Non-voting B Shares)	3,510 (Non-voting B Shares)	100.00
	Lee Ka Shing	23				15,000,000 (Non-voting Deferred Shares)	15,000,000 (Non-voting Deferred Shares)	30.00
	Li Ning	21		8,190 (Ordinary A Shares)			8,190 (Ordinary A Shares)	100.00
	Li Ning	22		3,510 (Non-voting B Shares)			3,510 (Non-voting B Shares)	100.00
	Li Ning	23		15,000,000 (Non-voting Deferred Shares)			15,000,000 (Non-voting Deferred Shares)	30.00

Ordinary Shares (unless otherwise specified) *(continued)*
Long Positions

Name of Company	Name of Director	Note	Personal Interests	Family Interests	Corporate Interests	Other Interests	Total	% Interest
Best Homes Limited	Lee Shau Kee	24			26,000		26,000	100.00
	Lee Ka Kit	24				26,000	26,000	100.00
	Lee Ka Shing	24				26,000	26,000	100.00
	Li Ning	24		26,000			26,000	100.00
Feswin Investment Limited	Lee Ka Kit	25			5,000	5,000	10,000	100.00
Fordley Investment Limited	Fung Lee Woon King	26	2,000				2,000	20.00
Furnline Limited	Lee Shau Kee	27			100 (A Shares)		100 (A Shares)	100.00
	Lee Shau Kee	28			1 (B Share)		1 (B Share)	100.00
	Lee Ka Kit	27				100 (A Shares)	100 (A Shares)	100.00
	Lee Ka Kit	28				1 (B Share)	1 (B Share)	100.00
	Lee Ka Shing	27				100 (A Shares)	100 (A Shares)	100.00
	Lee Ka Shing	28				1 (B Share)	1 (B Share)	100.00
	Li Ning	27		100 (A Shares)			100 (A Shares)	100.00
	Li Ning	28		1 (B Share)			1 (B Share)	100.00
Gain Base Development Limited	Fung Lee Woon King	29	50				50	5.00
Heyield Estate Limited	Lee Shau Kee	30			100		100	100.00
	Lee Ka Kit	30				100	100	100.00
	Lee Ka Shing	30				100	100	100.00
	Li Ning	30		100			100	100.00

Ordinary Shares (unless otherwise specified) *(continued)*
Long Positions

Name of Company	Name of Director	Note	Personal Interests	Family Interests	Corporate Interests	Other Interests	Total	% Interest
Perfect Bright Properties Inc.	Lee Shau Kee	31			100 (A Shares)		100 (A Shares)	100.00
	Lee Shau Kee	32			1 (B Share)		1 (B Share)	100.00
	Lee Ka Kit	31				100 (A Shares)	100 (A Shares)	100.00
	Lee Ka Kit	32				1 (B Share)	1 (B Share)	100.00
	Lee Ka Shing	31				100 (A Shares)	100 (A Shares)	100.00
	Lee Ka Shing	32				1 (B Share)	1 (B Share)	100.00
	Li Ning	31		100 (A Shares)			100 (A Shares)	100.00
	Li Ning	32		1 (B Share)			1 (B Share)	100.00
Pettystar Investment Limited	Lee Shau Kee	33			3,240		3,240	80.00
	Lee Ka Kit	33				3,240	3,240	80.00
	Lee Ka Shing	33				3,240	3,240	80.00
	Li Ning	33		3,240			3,240	80.00

Save as disclosed above, none of the Directors or Chief Executive of the Company or their associates had any interests or short positions in any shares, underlying shares or debentures of the Company or any of its associated corporations as defined in the SFO.

Share Option Schemes

The Company and its subsidiaries have no share option schemes.

Arrangements to Purchase Shares or Debentures

At no time during the year ended 31 December 2013 was the Company or any of its holding companies, subsidiary companies or fellow subsidiaries a party to any arrangement to enable the Directors of the Company to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

Substantial Shareholders' and Others' Interests

As at 31 December 2013, the interests and short positions of every person, other than Directors of the Company, in the shares and underlying shares of the Company as recorded in the register required to be kept under Section 336 of the SFO were as follows:

Long Positions

	No. of shares in which interested	% Interest
Substantial Shareholders:		
Rimmer (Cayman) Limited (Note 1)	1,761,330,730	65.26
Riddick (Cayman) Limited (Note 1)	1,761,330,730	65.26
Hopkins (Cayman) Limited (Note 1)	1,761,330,730	65.26
Henderson Development Limited (Note 1)	1,759,704,850	65.20
Yamina Investment Limited (Note 1)	879,289,357	32.58
Believegood Limited (Note 1)	443,958,550	16.45
South Base Limited (Note 1)	443,958,550	16.45
Persons other than Substantial Shareholders:		
Cameron Enterprise Inc. (Note 1)	206,511,682	7.65

Notes:

1. *Of these shares, Dr Lee Shau Kee was the beneficial owner of 8,651,546 shares, and for the remaining 1,762,364,962 shares, (i) 803,966,675 shares were owned by Henderson Development Limited ("HD"); (ii) 70,285,958 shares were owned by Richbond Investment Limited which was a wholly-owned subsidiary of HD; (iii) 206,511,682 shares were owned by Cameron Enterprise Inc.; 443,958,550 shares were owned by Believegood Limited which was wholly-owned by South Base Limited; 85,074,883 shares were owned by Prosglass Investment Limited which was wholly-owned by Jayasia Investments Limited; 78,283,425 shares were owned by Fancy Eye Limited which was wholly-owned by Mei Yu Ltd.; 65,460,817 shares were owned by Spreadral Limited which was wholly-owned by World Crest Ltd.; and Cameron Enterprise Inc., South Base Limited, Jayasia Investments Limited, Mei Yu Ltd. and World Crest Ltd. were wholly-owned subsidiaries of Yamina Investment Limited which in turn was 100% held by HD; (iv) 6,162,860 shares were owned by Superfun Enterprises Limited, a wholly-owned subsidiary of The Hong Kong and China Gas Company Limited ("China Gas") which was 41.5% held by Henderson Land Development Company Limited ("HL") which in turn was 65.2% held by HD; (v) 1,625,880 shares were owned by Fu Sang Company Limited ("Fu Sang"); and (vi) 704,198 shares and 330,034 shares were respectively owned by Tako Assets Limited and Thommen Limited, both were wholly-owned subsidiaries of Hong Kong Ferry (Holdings) Company Limited ("HKF") in which Dr Lee Shau Kee together with HL held 33.55% as set out in Note 15. Hopkins (Cayman) Limited ("Hopkins") as trustee of a unit trust (the "Unit Trust") owned all the issued ordinary shares of HD and Fu Sang. Rimmer (Cayman) Limited ("Rimmer") and Riddick (Cayman) Limited ("Riddick"), as trustees of respective discretionary trusts, held units in the Unit Trust. The entire issued share capital of Hopkins, Rimmer and Riddick were owned by Dr Lee Shau Kee. Dr Lee Shau Kee was taken to be interested in these shares by virtue of SFO. As directors of the Company and discretionary beneficiaries of two discretionary trusts holding units in the Unit Trust, Mr Lee Ka Kit and Mr Lee Ka Shing were taken to be interested in these shares by virtue of the SFO. As director of the Company and the spouse of a discretionary beneficiary of two discretionary trusts holding units in the Unit Trust, Mr Li Ning was taken to be interested in these shares by virtue of the SFO.*

2. *These shares were owned by Mr Au Siu Kee, Alexander and his wife jointly.*

3. *Mr Lee Tat Man was the beneficial owner of these shares.*

4. *Mrs Lee Pui Ling, Angelina was the beneficial owner of these shares.*

5. *Of these shares, Mr Lee King Yue was the beneficial owner of 295,838 shares, and the remaining 23,219 shares were held by Ngan Hei Development Company Limited which was 50% each owned by Mr Lee King Yue and his wife.*

6. *Madam Fung Lee Woon King was the beneficial owner of these shares.*

7. *These shares were owned by the wife of Mr Woo Ka Biu, Jackson.*

8. *Dr Chung Shui Ming, Timpson was the beneficial owner of these shares.*

9. *Of these shares, (i) 843,249,284 shares, 602,398,418 shares, 363,328,900 shares, 217,250,000 shares and 84,642,341 shares were respectively owned by Banshing Investment Limited, Markshing Investment Limited, Covite Investment Limited, Gainwise Investment Limited and Darnman Investment Limited, all of which were wholly-owned subsidiaries of Kingslee S.A. which in turn was 100% held by HL; and (ii) 3,000,000 shares and 1,406,000 shares were respectively owned by Tako Assets Limited and Thommen Limited, both of which were wholly-owned subsidiaries of HKF in which Dr Lee Shau Kee together with HL held 33.55% as set out in Note 15. Dr Lee Shau Kee was taken to be interested in HL as set out in Note 1 and Henderson Investment Limited by virtue of the SFO. As directors of the Company and discretionary beneficiaries of two discretionary trusts holding units in the Unit Trust, Mr Lee Ka Kit and Mr Lee Ka Shing were taken to be interested in these shares by virtue of the SFO. As director of the Company and the spouse of a discretionary beneficiary of two discretionary trusts holding units in the Unit Trust, Mr Li Ning was taken to be interested in these shares by virtue of the SFO.*

10. *Mr Lee Tat Man was the beneficial owner of these shares.*

11. *Mr Lee King Yue was the beneficial owner of these shares.*

12. *Of these shares, 2,208,599,773 shares and 857,834,122 shares were respectively owned by Disralei Investment Limited and Medley Investment Limited, both of which were wholly-owned subsidiaries of Timpani Investments Limited; 900,854,128 shares were owned by Macrostar Investment Limited, a wholly-owned subsidiary of Chelco Investment Limited; and Timpani Investments Limited and Chelco Investment Limited were wholly-owned subsidiaries of Faxson Investment Limited which in turn was 100% held by HL. Dr Lee Shau Kee was taken to be interested in HL, HD and Fu Sang as set out in Note 1 and China Gas by virtue of the SFO. As directors of the Company and discretionary beneficiaries of two discretionary trusts holding units in the Unit Trust, Mr Lee Ka Kit and Mr Lee Ka Shing were taken to be interested in these shares by virtue of the SFO. As director of the Company and the spouse of a discretionary beneficiary of two discretionary trusts holding units in the Unit Trust, Mr Li Ning was taken to be interested in these shares by virtue of the SFO.*

13. *These shares were owned by the wife of Mr Au Siu Kee, Alexander.*

14. *These shares were owned by Professor Poon Chung Kwong and his wife jointly.*

15. *Of these shares, Dr Lee Shau Kee was the beneficial owner of 799,220 shares, and for the remaining 118,732,090 shares, (i) 23,400,000 shares each were respectively owned by Graf Investment Limited, Mount Sherpa Limited and Paillard Investment Limited, all of which were wholly-owned subsidiaries of Pataca Enterprises Limited which in turn was 100% held by HL; and (ii) 48,532,090 shares were held by Wiselin Investment Limited, a wholly-owned subsidiary of Max-mercan Investment Limited; Max-mercan Investment Limited was wholly-owned by Camay Investment Limited which in turn was 100% held by HL. Dr Lee Shau Kee was taken to be interested in HL as set out in Note 1 and HKF by virtue of the SFO. As directors of the Company and discretionary beneficiaries of two discretionary trusts holding units in the Unit Trust, Mr Lee Ka Kit and Mr Lee Ka Shing were taken to be interested in these shares by virtue of the SFO. As director of the Company and the spouse of a discretionary beneficiary of two discretionary trusts holding units in the Unit Trust, Mr Li Ning was taken to be interested in these shares by virtue of the SFO.*

16. *Mr Lam Ko Yin, Colin was the beneficial owner of these shares.*

17. *Madam Fung Lee Woon King was the beneficial owner of these shares.*

18. *Mr Leung Hay Man was the beneficial owner of these shares.*

19. *Of these shares, 100,612,750 shares, 79,121,500 shares and 80,505,000 shares were respectively owned by Higgins Holdings Limited, Multiglade Holdings Limited and Threadwell Limited, all of which were wholly-owned subsidiaries of Aynbury Investments Limited which in turn was 100% held by HL. Dr Lee Shau Kee was taken to be interested in HL as set out in Note 1 and Miramar Hotel and Investment Company, Limited by virtue of the SFO. As directors of the Company and discretionary beneficiaries of two discretionary trusts holding units in the Unit Trust, Mr Lee Ka Kit and Mr Lee Ka Shing were taken to be interested in these shares by virtue of the SFO. As director of the Company and the spouse of a discretionary beneficiary of two discretionary trusts holding units in the Unit Trust, Mr Li Ning was taken to be interested in these shares by virtue of the SFO.*

20. *These shares were owned by Hong Kong & China Gas (China) Limited, Planwise Properties Limited and Superfun Enterprises Limited, wholly-owned subsidiaries of China Gas. Dr Lee Shau Kee was taken to be interested in China Gas as set out in Note 12 and Towngas China Company Limited by virtue of the SFO. As directors of the Company and discretionary beneficiaries of two discretionary trusts holding units in the Unit Trust, Mr Lee Ka Kit and Mr Lee Ka Shing were taken to be interested in these shares by virtue of the SFO. As director of the Company and the spouse of a discretionary beneficiary of two discretionary trusts holding units in the Unit Trust, Mr Li Ning was taken to be interested in these shares by virtue of the SFO.*

21. *These shares were held by Hopkins as trustee of the Unit Trust.*

22. *These shares were held by Hopkins as trustee of the Unit Trust.*

23. *Of these shares, Dr Lee Shau Kee was the beneficial owner of 35,000,000 shares, and Fu Sang owned the remaining 15,000,000 shares.*

24. *Of these shares, (i) 10,400 shares were owned by HL; (ii) 2,600 shares were owned by HD; and (iii) 13,000 shares were owned by Manifest Investments Limited which was 93.02% held by HD and 6.98% owned by Firban Limited respectively. Firban Limited was 50% held by each of Perfect Bright Properties Inc. and Furnline Limited, and Jetwin International Limited was the sole holder of A shares in each of Perfect Bright Properties Inc. and Furnline Limited (the "A Shares") with the A Shares being entitled to all interests and, liable for all liabilities in Firban Limited. Triton (Cayman) Limited as trustee of a unit trust owned all the issued share capital of Jetwin International Limited. Triumph (Cayman) Limited and Victory (Cayman) Limited, as trustees of respective discretionary trusts, held units in the unit trust. The entire share capital of Triton (Cayman) Limited, Triumph (Cayman) Limited and Victory (Cayman) Limited were owned by Dr Lee Shau Kee who was taken to be interested in such shares by virtue of the SFO. As discretionary beneficiaries of the discretionary trusts holding units in such unit trust, Mr Lee Ka Kit and Mr Lee Ka Shing were taken to be interested in such shares by virtue of the SFO. As the spouse of a discretionary beneficiary of the discretionary trusts holding units in such unit trust, Mr Li Ning was taken to be interested in such shares by virtue of the SFO.*

25. *Of these shares, (i) 5,000 shares were owned by Applecross Limited which was wholly-owned by Mr Lee Ka Kit; and (ii) 5,000 shares were owned by Henderson (China) Investment Company Limited, a wholly-owned subsidiary of Andcoe Limited which was wholly-owned by Henderson China Holdings Limited, an indirect wholly-owned subsidiary of HL.*

26. *Madam Fung Lee Woon King was the beneficial owner of these shares.*

27. *These shares were owned by Jetwin International Limited.*

28. *This share was owned by Sunnice Investment Limited, a wholly-owned subsidiary of Profit Best Development Limited which in turn was wholly-owned by HL.*

29. *Madam Fung Lee Woon King was the beneficial owner of these shares.*

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30. *Of these shares, (i) 80 shares were owned by Tactwin Development Limited, a wholly-owned subsidiary of HL; (ii) 10 shares were owned by Henderson Finance Company Limited, a wholly-owned subsidiary of HD; and (iii) 5 shares each were owned by Perfect Bright Properties Inc. and Furnline Limited, and Jetwin International Limited was the sole holder of A shares in each of Perfect Bright Properties Inc. and Furnline Limited (the "A Shares") with the A Shares being entitled to all interests and, liable for all liabilities in Heyield Estate Limited.*

31. *These shares were owned by Jetwin International Limited.*

32. *This share was owned by Sunnice Investment Limited, a wholly-owned subsidiary of Profit Best Development Limited which in turn was wholly-owned by HL.*

33. *Of these shares, (i) 3,038 shares were owned by HL; and (ii) 202 shares were owned by Allied Best Investment Limited which was 50% held by each of Perfect Bright Properties Inc. and Furnline Limited, and Jetwin International Limited was the sole holder of A shares in each of Perfect Bright Properties Inc. and Furnline Limited (the "A Shares") with the A Shares being entitled to all interests and, liable for all liabilities in Allied Best Investment Limited.*

Interests in Contracts and Continuing Connected Transactions

During the year under review, the Group entered into the following transactions and arrangements as described below with persons who are "connected persons" for the purposes of the Rules Governing the Listing of Securities ("Listing Rules") on The Stock Exchange of Hong Kong Limited (the "Hong Kong Stock Exchange"):

(1) (i) Henderson Finance Company Limited made advances from time to time to Henderson Real Estate Agency Limited, Jetkey Development Limited and Perfect Grand Development Limited, subsidiaries of the Company, with interest chargeable on the balances outstanding from time to time based on HIBOR quoted by banks or Renminbi benchmark loan rates announced by the People's Bank of China (where appropriate) plus a margin. As at 31 December 2013, the amounts of approximately HK$5,323 million, HK$26 million and HK$125 million were due by Henderson Real Estate Agency Limited, Jetkey Development Limited and Perfect Grand Development Limited respectively to Henderson Finance Company Limited, which have been included in the accounts under "Amount due to a fellow subsidiary".

(ii) Agreements for the management and construction of the properties of certain owner companies (the "Owner Companies") indirectly controlled by the private trust of the family of Dr Lee Shau Kee entered into by the Owner Companies (including the Henderson Development Limited group) with Henderson Real Estate Agency Limited and the subsidiaries of E Man Construction Company Limited, three wholly-owned subsidiaries of the Company, still subsisted at the year end date.

Dr Lee Shau Kee, Mr Lee Ka Kit and Mr Lee Ka Shing were taken to be interested in the transactions and contracts referred to in the above as a director (and as more particularly described in the section "Disclosure of Interests" above) of the Company's ultimate holding company, Henderson Development Limited.

(2) As at 31 December 2013, Mr Lee Ka Kit, through companies owned or controlled by him, had interests in two companies in which Henderson China Holdings Limited ("Henderson China") was interested and through which Henderson China held interests in projects. Mr Lee had 50 per cent interest in Feswin Investment Limited holding Lot 470 of Wanping Road South, Shanghai, the PRC with the remaining interests owned by members of the Henderson China Group. Mr Lee Ka Kit is a Director of the Company.

Mr Lee Ka Kit agreed to provide and had provided finance in the form of advances to these companies in proportion to his equity interests in these companies. An agreement entered into between Henderson China and Mr Lee Ka Kit on 15 March 1996 provided that all existing and future advances made by Henderson China and Mr Lee Ka Kit to these companies would be unsecured, on the same basis and at the same interest rate or without interest. As at 31 December 2013, such advances made by Mr Lee Ka Kit to the Henderson China Group's associate amounted to approximately HK$80 million and from 1 January 2003 to 31 December 2013, no interest on the advances made by Mr Lee Ka Kit was charged.

(3) During the year ended 31 December 2013, the Group made advances to the following non wholly-owned subsidiaries and associates as unsecured working capital repayable on demand:

Crown Truth Limited
Drinkwater Investment Limited
Feswin Investment Limited
Gain Base Development Limited
Hang Seng Quarry Company Limited
Harvest Development Limited
Lane Success Development Limited
Pettystar Investment Limited

Certain Directors of the Company or its subsidiaries have interests in the above companies. Both the Group and such Directors' associates made advances in proportion to their equity interests in the companies. The advances made by the Group and the Directors' associates to the individual companies listed above were either both interest-bearing on identical normal commercial terms or both without interest.

(4) The Company had the following continuing connected transactions, each of which, as disclosed by way of announcement, was subject to the reporting and announcement requirements but exempt from independent shareholders' approval requirements under Chapter 14A of the Listing Rules:

(i) Sunlight Real Estate Investment Trust ("Sunlight REIT") might be regarded by the Hong Kong Stock Exchange as a connected person of the Company under the Listing Rules so long as the aggregate percentage unitholdings in Sunlight REIT of the Group and the Shau Kee Financial Enterprises Limited group ("SKFE Group") (controlled by a family trust of Dr Lee Shau Kee, the Chairman and Managing Director of the Company) being above 30%.

As disclosed in the announcement dated 25 June 2012, new annual cap amounts in respect of each of the financial years ending up to 31 December 2015 were set for the continuing connected transactions between the Group and Sunlight REIT group contemplated under the following agreements/deeds, and a second supplemental agreement (the "Second Supplemental Agreement") was made to extend the term of appointment of Henderson Sunlight Property Management Limited (the "Property Manager"):

(a) a property management agreement dated 29 November 2006 (as supplemented by a supplemental agreement dated 28 April 2009, and further supplemented by the Second Supplemental Agreement) was entered into between Henderson Sunlight Asset Management Limited ("HSAM") and the Property Manager (and property holding companies under the Sunlight REIT group had also subsequently acceded to the said agreement) relating to the provision of certain property management and lease management as well as marketing services in respect of the properties of Sunlight REIT at a fee of 3% per annum of the gross property revenue of the relevant properties of Sunlight REIT for property and lease management services together with a commission as calculated on the base rent or licence fee for a tenancy or a licence secured. By the Second Supplemental Agreement entered into by HSAM and the Property Manager, the term of the appointment of the Property Manager for the provision of the said property related management services has been extended (the "Property Management Transactions") up to 30 June 2015;

(b) a trust deed dated 26 May 2006 (as supplemented by supplemental deeds dated 1 June 2006, 28 November 2006, 28 April 2009, 23 July 2010 and 30 April 2012 respectively) was entered into between Uplite Limited as settlor, a subsidiary of SKFE Group, HSAM as manager and HSBC Institutional Trust Services (Asia) Limited as trustee in respect of, among other things, the appointment of HSAM as the manager of Sunlight REIT for the management and operation of Sunlight REIT at a base fee not exceeding 0.4% per annum of the property values of Sunlight REIT for the relevant financial year and a variable fee of 3% per annum of the relevant net property income of Sunlight REIT payable in the form of Sunlight REIT units and/or cash. HSAM is also entitled to an acquisition fee in respect of acquisition of real estate by Sunlight REIT, and a divestment fee in respect of any real estate sold or divested by Sunlight REIT (where applicable) and certain reimbursement (the "Asset Management Transactions");

(c) agreement(s) as amended and supplemented on various dates were entered into between the Property Manager and Megastrength Security Services Company Limited ("Megastrength"), the Group's subsidiary in respect of the provision of security and related services for property(ies) of the Sunlight REIT at a typical fixed monthly service fee payable to Megastrength subject to change corresponding to any increased level of service (the "Security Services Transactions"); and

(d) agreements or arrangements to be entered into from time to time between members of the Group and members of Sunlight REIT group for the provision of other ancillary property services for the properties of Sunlight REIT (the "Other Ancillary Property Services Transactions").

The maximum aggregate sums to be paid by the Sunlight REIT group to the Group under the Property Management Transactions, the Asset Management Transactions, the Security Services Transactions and the Other Ancillary Property Services Transactions would not exceed the following:

Financial year ended 31 December 2012 (HK$ million)	Financial year ended 31 December 2013 (HK$ million)	Financial year ending 31 December 2014 (HK$ million)	Financial year ending 31 December 2015 (HK$ million)
140	140	152	167

For the year ended 31 December 2013, the Group received HK$45,133,000 for the Property Management Transactions, HK$75,376,000 for the Asset Management Transactions and HK$2,018,000 for the Security Services Transactions which in aggregate amounted to HK$122,527,000; while no fee was received for the Other Ancillary Property Services Transactions (collectively "Sunlight REIT Transactions").

(ii) As disclosed in the announcement dated 26 October 2010, the following letter agreements relating to the provision by Henderson Real Estate Agency Limited ("HREAL") of the sales and marketing agency services and the venue for the show flats, amongst other things, were entered into on the dates set out below:

(a) On 26 February 2010, HREAL was appointed by Henderson Development Agency Limited ("HDAL") as the sales and marketing sub-agent for the disposal of the residential units and/or car parking spaces of Park Rise located at 17 MacDonnell Road, Mid-levels, Hong Kong (the "Park Rise Units") at a sales sub-agency fee of 0.75% of the total gross proceeds of disposal for the Park Rise Units for three years; and

(b) on 26 October 2010, HREAL was appointed by HDAL as the sales and marketing sub-agent to provide (i) sales and marketing agency services at a sales sub-agency fee of 0.75% of the total gross proceeds for three years and (ii) venue located at Miramar Shopping Centre, 132 Nathan Road, Tsimshatsui, Kowloon, Hong Kong for the show flats (the "Venue"), in relation to the disposal of the residential units and/or car parking spaces located at No.72 Staunton Street, Hong Kong (the "Staunton Units") at a monthly fee of approximately HK$0.89 million (calculated in manner as described therein). In accordance with the terms of the relevant letter agreement, the provision of the Venue ceased in March 2012.

HDAL is the principal agent of the Park Rise Units and the Staunton Units which are developed by the companies indirectly controlled by the private trusts of the family of Dr Lee Shau Kee.

With the Headland Low-rise Houses being sold out, the relevant sales agency letter agreement as more particularly described in the above mentioned announcement had already expired in 2011.

Since September 2012, Henderson Property Agency Limited, HREAL's wholly-owned subsidiary has taken up certain sales and marketing obligations of HREAL by way of novation. The relevant sales agency letter agreement as more particularly described in items (ii)(a) and (b) above (but excluding the provision of the Venue) had been extended for a term of three years respectively.

The annual caps as more particularly described in the above announcement for the aggregate sales agency/sub-agency fees under the sales agency/sub-agency letter agreements as mentioned above (collectively the "Agreements") for the period from 1 January 2013 to 25 October 2013 shall not exceed HK$19.52 million:

For the year under review, the Group received HK$301,000 as the aggregate sub-agency fees under the Agreements (collectively the "Agency Transactions").

A Committee of Independent Non-executive Directors of the Company has reviewed and confirmed that the Sunlight REIT Transactions and the Agency Transactions are (a) in accordance with the terms of the respective agreements/deeds relating to the transactions in question; (b) in the ordinary and usual course of business of the Group; (c) on normal commercial terms or on terms no less favourable than terms available to (or from, as appropriate) independent third parties; and (d) fair and reasonable and in the interests of the shareholders of the Company as a whole.

The Auditor of the Company have also confirmed that the Sunlight REIT Transactions and the Agency (a) have received the approval of the Board; (b) are in accordance with the pricing policies of the Group; (c) have been entered into in accordance with the relevant agreements/deeds governing the continuing connected transactions; and (d) have not exceeded the respective caps as aforesaid.

The Company's Auditor was engaged to report on the Group's continuing connected transactions in accordance with Hong Kong Standard on Assurance Engagements 3000 "Assurance Engagements Other Than Audits or Reviews of Historical Financial Information" and with reference to Practice Note 740 "Auditor's Letter on Continuing Connected Transactions under the Hong Kong Listing Rules" issued by the Hong Kong Institute of Certified Public Accountants. The Auditor has issued his unqualified letter containing his findings and conclusions in respect of the continuing connected transactions disclosed by the Group in this Annual Report in accordance with Rule 14A.38 of the Listing Rules. The Company has provided a signed copy of the said letter to the Hong Kong Stock Exchange.

(iii) On 2 October 2013, the Company as purchaser entered into the share purchase agreements with (i) Dr Lee Shau Lee ("Dr Lee"), Fu Sang Company Limited and Boldwin Enterprises Limited to purchase from them (a) a total of 155,317,008 shares of The Hong Hong and China Gas Company Limited at a total consideration of HK$2,883,926,205, (b) 7,000,000 shares of Hong Kong Ferry (Holdings) Company Limited at a total consideration of HK$53,662,000 and (c) a total of 40,395,084 shares of Henderson Investment Limited at a total consideration of HK$23,105,988 and (ii) Sir Po-shing Woo and Fong Fun Company Limited to purchase from them a total of 5,051,000 shares of Miramar Hotel and Investment Company, Limited at a total consideration of HK$51,095,916.

Since (i) Dr Lee is a Director of the Company and both Fu Sang Company Limited and Boldwin Enterprises Limited are companies indirectly controlled by the private trusts of Dr Lee and (ii) Sir Po-shing Woo is a father of Mr Woo Ka Biu, Jackson who is a director of Fong Fun Company Limited and an Independent Non-executive Director of the Company and Fong Fun Company Limited is a company beneficially owned by Sir Po-shing Woo and his spouse, all of them are connected persons of the Company under the Listing Rules and the entering into the share purchase agreements constitutes connected transactions for the Company under the Listing Rules.

(5) The material related party transactions set out in note 39 to the accounts on pages 225 to 227 include transactions that constitute connected/continuing connected transactions for which the disclosure requirements under the Listing Rules have been met.

Save as disclosed above, no other contracts of significance to which the Company, its holding company or any of its subsidiaries or fellow subsidiaries was a party, and in which a Director of the Company had a material interest, subsisted at the year end or at any time during the year.

Directors' Interests in Competing Business

Pursuant to Rule 8.10 of the Listing Rules, the interests of Directors of the Company in businesses which might compete with the Group during the year ended and as at 31 December 2013 were as follows:

Dr Lee Shau Kee, the Chairman of the Company, and Mr Lee Ka Kit, Mr Lee Ka Shing and Mr Li Ning, Directors of the Company, have deemed interests and/or held directorships in companies engaged in the same businesses of property investment, development and management in Hong Kong and mainland China as the Group. As those companies which engage in the same businesses as the Group were involved in the investment, development and management of properties of different types and/or in different locations, and the Group, has been operating independently of, and at arm's length from, the businesses of those companies, no competition is considered to exist.

Service Contracts

None of the Directors has a service contract with the Company or any of its subsidiaries which is of a duration exceeding three years or which is not determinable by the employer within one year without payment of compensation (other than statutory compensation).

Purchase, Sale or Redemption of the Company's Listed Securities

Except for the issue of shares regarding the scrip dividend schemes and bonus shares, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed securities during the year ended 31 December 2013.

Major Customers and Suppliers

For the year ended 31 December 2013:

(1) the aggregate amount of purchases attributable to the Group's five largest suppliers represented less than 30% of the Group's total purchase; and

(2) the aggregate amount of turnover attributable to the Group's five largest customers represented less than 30% of the Group's total turnover.

Management Discussion and Analysis

A management discussion and analysis of the Group's results for the year ended 31 December 2013 is shown on pages 66 to 77.

Sustainability and Corporate Social Responsibility

A report on sustainability and corporate social responsibility is set out on pages 80 to 105.

Retirement Benefits Scheme

The Group's Hong Kong employees participate in the Henderson Staff Provident Fund (the "Fund"), a defined contribution provident fund scheme as defined in the Occupational Retirement Schemes Ordinance or in another defined contribution scheme (the "Scheme") as mentioned below or in schemes (the "MPF Schemes") registered under the Mandatory Provident Fund Scheme Ordinance ("MPFO").

Contributions to the Fund are made by the participating employers at rates ranging from 4% to 6%, and by the employees at 2%, of the employees' basic monthly salaries. The portion of employers' contributions to which the employees are not entitled and which has been forfeited shall not be used to reduce the future contributions of the participating employers.

As for the Scheme, contributions are made by both the employers and the employees at the rate of 5% of the employees' basic monthly salaries. Forfeited contributions can be applied towards reducing the amount of future contributions payable by the employers. There were no forfeited contributions of the Scheme utilised during the year ended 31 December 2013 (2012: HK$Nil). As at 31 December 2013, there were no forfeited contributions that could be utilised to reduce the Group's contributions to the Scheme (2012: Nil).

No employees of the Group were eligible to join the Fund or the Scheme on or after 1 December 2000.

Employees of the Group who are not members of the Fund and the Scheme participate in the MPF Schemes. In addition to the minimum benefits set out in the MPFO, the Group provides certain voluntary top-up benefits to employees participating in the MPF Schemes. The portion of employer's contributions to which the employees are not entitled and which has been forfeited can be used by the Group to reduce the future contributions. The total amount so utilised in the year ended 31 December 2013 was HK$1,600,000 (2012: HK$2,044,000) and the balance available to be utilised as at 31 December 2013 was HK$1,000 (2012: HK$84,000).

The Group also participates in the state-organised pension scheme operated by the Government of the PRC for its PRC employees and contributes a certain percentage of the employees' covered payroll to fund the benefits.

The Group's retirement costs charged to the profit and loss account for the year ended 31 December 2013 were HK$79,000,000 (2012: HK$76,000,000).

Revolving Credit Agreement with Covenants of the Controlling Shareholders

Wholly-owned subsidiaries of the Company, as borrowers, have respectively obtained a 5-year term loan and revolving credit facilities of up to HK$13,250,000,000 in 2010, 5-year term loan and revolving credit facilities of up to HK$10,000,000,000 in June 2011 and 4-year term loan, 5-year term loan and revolving credit facilities of up to HK$13,800,000,000 in January 2014 from groups of syndicate of banks under separate guarantees given by the Company. The HK$10,000,000,000 3-year term loan and revolving credit facilities was fully repaid in January 2013.

In connection with each of the above credit facilities, it will be an event of default if the Company is deemed to be ultimately controlled by any person(s) other than Dr Lee Shau Kee and/or his family and/or companies controlled by any of them or any trust in which Dr Lee Shau Kee and/or his family and/or companies controlled by any of them are beneficiaries. If any event of default occurs, the outstanding (if any) under the respective credit facilities may become due and payable on demand.

Public Float

As at the date of this report, the Company has maintained the prescribed public float under the Listing Rules, based on the information that is publicly available to the Company and within the knowledge of the Directors.

Auditor

A resolution for the re-appointment of KPMG as Auditor of the Company is to be proposed at the forthcoming annual general meeting.

Corporate Governance

The Company's corporate governance principles and practices are set out in the Corporate Governance Report on pages 106 to 116.

On behalf of the Board

Lee Shau Kee
Chairman

Hong Kong, 20 March 2014

Biographical Details of Directors and Senior Management

Executive Directors

Dr the Hon LEE Shau Kee, *GBM*, *DBA (Hon)*, *DSSc (Hon)*, *LLD (Hon)*, aged 85, is the founder of the Company. He has been the Chairman and Managing Director of the Company since 1976 and has been engaged in property development in Hong Kong for more than 55 years. He is also the Chairman of the Nomination Committee and a member of the Remuneration Committee of the Company. He is the founder and the chairman and managing director of Henderson Investment Limited, the chairman of The Hong Kong and China Gas Company Limited and Miramar Hotel and Investment Company, Limited ("Miramar"), the vice chairman of Sun Hung Kai Properties Limited as well as a non-executive director of Hong Kong Ferry (Holdings) Company Limited, all of which are listed companies. He will resign as the chairman of Miramar and be re-designated as non-executive director of Miramar on 12 June 2014. He previously served as an independent non-executive director of The Bank of East Asia, Limited, a listed company, until his resignation on 24 April 2013. Dr Lee was awarded Grand Bauhinia Medal by the Government of the Hong Kong Special Administrative Region in 2007. Dr Lee is a director of Rimmer (Cayman) Limited, Riddick (Cayman) Limited, Hopkins (Cayman) Limited, Henderson Development Limited, Believegood Limited and Cameron Enterprise Inc. which have discloseable interests in the Company under the provisions of the Securities and Futures Ordinance. He is the brother of Mr Lee Tat Man and Madam Fung Lee Woon King, the father of Ms Lee Pui Man, Margaret, Mr Lee Ka Kit and Mr Lee Ka Shing and the father-in-law of Mr Li Ning.

LEE Ka Kit, *JP*, aged 50, a Member of the Standing Committee of the 12th National Committee of the Chinese People's Political Consultative Conference, has been an Executive Director of the Company since 1985 and Vice Chairman since 1993. He was educated in the United Kingdom and has been primarily responsible for the development of the PRC business of Henderson Land Group since he joined the Company in 1985. Mr Lee is the vice chairman of Henderson Development Limited ("Henderson Development"). He is also the vice chairman of Henderson Investment Limited as well as a non-executive director of The Hong Kong and China Gas Company Limited and The Bank of East Asia, Limited, all of which are listed companies. He previously served as a non-executive director of Intime Department Store (Group) Company Limited (now known as Intime Retail (Group) Company Limited), a listed company, until his retirement on 31 May 2013. He was appointed as a Justice of the Peace by the Government of the Hong Kong Special Administrative Region and awarded an Honorary University Fellowship by The University of Hong Kong in 2009 respectively. Mr Lee is a director of Henderson Development which has discloseable interests in the Company under the provisions of the Securities and Futures Ordinance. He is the son of Dr Lee Shau Kee, the brother of Ms Lee Pui Man, Margaret and Mr Lee Ka Shing and the brother-in-law of Mr Li Ning.

LAM Ko Yin, Colin, *FCILT, FHKIoD*, aged 62, joined the Company in 1982 and has been an Executive Director since 1985 and Vice Chairman since 1993. He is also a member of the Remuneration Committee and the Nomination Committee of the Company. He holds a B.Sc. (Honours) degree from The University of Hong Kong and has over 40 years' experience in banking and property development. He is also the chairman of Hong Kong Ferry (Holdings) Company Limited, the vice chairman of Henderson Investment Limited as well as a non-executive director of The Hong Kong and China Gas Company Limited and an executive director of Miramar Hotel and Investment Company, Limited, all of which are listed companies. He is the Deputy Chairman of The University of Hong Kong Foundation for Educational Development and Research and a Director of Fudan University Education Development Foundation. Mr Lam was awarded an Honorary University Fellowship by The University of Hong Kong in 2008. He is a Fellow of The Chartered Institute of Logistics and Transport in Hong Kong and a Fellow of The Hong Kong Institute of Directors. Mr Lam is a director of Rimmer (Cayman) Limited, Riddick (Cayman) Limited, Hopkins (Cayman) Limited, Henderson Development Limited and Believegood Limited which have discloseable interests in the Company under the provisions of the Securities and Futures Ordinance.

LEE Ka Shing, aged 42, a Committee Member of the 12th Beijing Committee, and previously a Committee Member of the 10th Guangxi Zhuangzu Zizhiqu Committee and of the 10th Foshan Committee, of the Chinese People's Political Consultative Conference, PRC, has been an Executive Director of the Company since 1993 and Vice Chairman since 2005. He was educated in Canada. Mr Lee is the vice chairman of Henderson Development Limited ("Henderson Development"). He is also the vice chairman of Henderson Investment Limited, executive director and chief executive officer of Miramar Hotel and Investment Company, Limited ("Miramar") as well as a non-executive director of The Hong Kong and China Gas Company Limited, all of which are listed companies. He will be re-designated as the chairman and chief executive officer of Miramar on 12 June 2014. Mr Lee is a director of Henderson Development and Believegood Limited which have discloseable interests in the Company under the provisions of the Securities and Futures Ordinance. He is the son of Dr Lee Shau Kee, the brother of Ms Lee Pui Man, Margaret and Mr Lee Ka Kit and the brother-in-law of Mr Li Ning.

YIP Ying Chee, John, *LLB, FCIS*, aged 65, has been an Executive Director of the Company since 1997. He graduated from The University of Hong Kong and the London School of Economics and is a solicitor and a certified public accountant. He has over 35 years' experience in corporate finance, and corporate and investment management.

SUEN Kwok Lam, *JP, MH, FHIREA*, aged 67, joined the Company in 1997 and has been an Executive Director of the Company since January 2002. He previously served as an executive director of Henderson Investment Limited, a listed company, until his retirement on 9 June 2011. He is the Vice President of Hong Kong Institute of Real Estate Administrators and an individual Member of The Real Estate Developers Association of Hong Kong. He was the President of Hong Kong Association of Property Management Companies from 2003 to 2007. He has over 40 years' experience in property management. He was awarded the Medal of Honour in 2005 and appointed as a Justice of the Peace in 2011 by the Government of the Hong Kong Special Administrative Region respectively.

LEE King Yue, aged 87, has been an Executive Director of the Company since 1976. He joined Henderson Development Limited, the parent company of the Company on its incorporation in 1973 and has been engaged with Chairman in property development for over 55 years. He previously served as an executive director of Henderson Investment Limited, a listed company, until his retirement on 11 June 2012. Mr Lee is a director of Yamina Investment Limited, Believegood Limited, Cameron Enterprise Inc. and South Base Limited which have discloseable interests in the Company under the provisions of the Securities and Futures Ordinance.

FUNG LEE Woon King, aged 75, has been an Executive Director of the Company since 1976. She joined Henderson Development Limited ("Henderson Development"), the parent company of the Company as treasurer in 1974 and has been an executive director of Henderson Development since 1979. She is also the treasurer of Henderson Development Group, Henderson Land Group and Henderson Investment Group. Madam Fung is a director of Rimmer (Cayman) Limited, Riddick (Cayman) Limited, Hopkins (Cayman) Limited, Henderson Development, Yamina Investment Limited, Believegood Limited, Cameron Enterprise Inc. and South Base Limited which have discloseable interests in the Company under the provisions of the Securities and Futures Ordinance. She is the sister of Dr Lee Shau Kee and Mr Lee Tat Man.

LAU Yum Chuen, Eddie, aged 67, has been an Executive Director of the Company since 1987. He has over 40 years' experience in banking, finance and investment. Mr Lau is also a non-executive director of Hong Kong Ferry (Holdings) Company Limited and an executive director of Miramar Hotel and Investment Company, Limited, both of which are listed companies. He previously served as an executive director of Henderson Investment Limited, a listed company, until his retirement on 9 June 2011.

LI Ning, *BSc, MBA*, aged 57, has been an Executive Director of the Company since 1992. He holds a B.Sc. degree from Babson College and an M.B.A. degree from the University of Southern California. Mr Li is also an executive director of Hong Kong Ferry (Holdings) Company Limited, a listed company. He previously served as an Independent non-executive director of Glencore International plc, a list company, until his resignation on 2 May 2013. He is the son-in-law of Dr Lee Shau Kee, the spouse of Ms Lee Pui Man, Margaret and the brother-in-law of Mr Lee Ka Kit and Mr Lee Ka Shing.

KWOK Ping Ho, *BSc, MSc, Post-Graduate Diploma in Surveying, ACIB*, aged 61, joined the Company in 1987 and has been an Executive Director since 1993. He holds a B.Sc. (Engineering) degree, an M.Sc. (Administrative Sciences) degree and a Post-Graduate Diploma in Surveying (Real Estate Development). Mr Kwok is an Associate Member of The Chartered Institute of Bankers of the United Kingdom and he had worked in the international banking field for more than 11 years with postings in London, Chicago, Kuala Lumpur, Singapore as well as in Hong Kong before joining the Company. He is also a non-executive director of Henderson Sunlight Asset Management Limited, the manager of the publicly-listed Sunlight Real Estate Investment Trust. He previously served as an executive director of Henderson Investment Limited, a listed company, until his retirement on 11 June 2012. Mr Kwok is a director of Believegood Limited which has discloseable interests in the Company under the provisions of the Securities and Futures Ordinance. Mr Kwok is also an Honorary Professor in the Department of Real Estate and Construction, Faculty of Architecture of The University of Hong Kong.

WONG Ho Ming, Augustine, *JP, MSc, MEcon, FHKIS, MRICS, MCIArb, RPS (GP),* aged 53, joined the Company in 1996 and has been an Executive Director of the Company since September 2010. He is presently the General Manager of Property Development Department as well. Mr Wong previously served as an executive director of Henderson Investment Limited, a listed company, until his retirement on 11 June 2012. He is a registered professional surveyor and has over 29 years' experience in property appraisal, dealing and development. He was appointed as a Justice of the Peace by the Government of the Hong Kong Special Administrative Region in 2008.

Non-executive Directors

LEE Pui Ling, Angelina, *SBS, JP, LLB, FCA,* aged 65, has been a Director of the Company since 1996 and was re-designated as Non-executive Director in 2004. Mrs Lee is a Partner of the firm of solicitors, Woo, Kwan, Lee & Lo, and is a Fellow of the Institute of Chartered Accountants in England and Wales. Mrs Lee is active in public service and is currently a member of the Exchange Fund Advisory Committee of the Hong Kong Monetary Authority and a member of the Takeovers and Mergers Panel of the Securities and Futures Commission. She is also a non-executive director of Cheung Kong Infrastructure Holdings Limited and TOM Group Limited as well as an independent non-executive director of Great Eagle Holdings Limited, all of which are listed companies. Mrs Lee was previously a Non-executive Director of the Mandatory Provident Fund Schemes Authority and the Securities and Futures Commission.

LEE Tat Man, aged 76, has been a Director of the Company since 1976. He has been engaged in property development in Hong Kong for more than 35 years and is also an executive director of Henderson Investment Limited, a listed company. Mr Lee is a director of Rimmer (Cayman) Limited, Riddick (Cayman) Limited, Hopkins (Cayman) Limited, Henderson Development Limited and Cameron Enterprise Inc. which have discloseable interests in the Company under the provisions of the Securities and Futures Ordinance. He is the brother of Dr Lee Shau Kee and Madam Fung Lee Woon King.

Independent Non-executive Directors

KWONG Che Keung, Gordon, *FCA,* aged 64, has been an Independent Non-executive Director of the Company since 2004. He is also the chairman of the Audit Committee and a member of the Remuneration Committee and the Nomination Committee of the Company. He graduated from The University of Hong Kong with a bachelor's degree in social sciences in 1972 and qualified as a chartered accountant in England in 1977. He was a partner of Pricewaterhouse from 1984 to 1998 and an independent member of the Council of The Stock Exchange of Hong Kong from 1992 to 1997. He is an independent non-executive director of Henderson Investment Limited, Agile Property Holdings Limited, China COSCO Holdings Company Limited, China Power International Development Limited, Chow Tai Fook Jewellery Group Limited, CITIC Telecom International Holdings Limited, Global Digital Creations Holdings Limited, NWS Holdings Limited and OP Financial Investments Limited, all of which are listed companies. Mr Kwong previously served as an independent non-executive director of COSCO International Holdings Limited until 9 June 2011, Beijing Capital International Airport Company Limited until 15 June 2011, Quam Limited until 6 September 2012 and China Chengtong Development Group Limited until 1 November 2013.

Professor KO Ping Keung, *PhD, FIEEE, JP,* aged 63, has been an Independent Non-executive Director of the Company since 2004. He is also a member of the Audit Committee, the Remuneration Committee and the Nomination Committee of the Company. Professor Ko holds a Bachelor of Science (Honours) degree from The University of Hong Kong, a Doctor of Philosophy degree and a Master of Science degree from the University of California at Berkeley. He is an Adjunct Professor of Peking University and Tsinghua University and Emeritus Professor of Electrical & Electronic Engineering and the former Dean of the School of Engineering of The Hong Kong University of Science and Technology. He was the Vice Chairman of Electrical Engineering and Computer Science Department of the University of California at Berkeley in 1991 – 1993 and a member of Technical staff, Bell Labs, Holmdel, in 1982 – 1984. Professor Ko is an independent non-executive director of Henderson Investment Limited, a listed company. He also served as an independent non-executive director of a listed company, China Resources Microelectronics Limited, until its privatisation in November 2011.

WU King Cheong, *BBS, JP,* aged 63, has been an Independent Non-executive Director of the Company since 2005. He is also the Chairman of the Remuneration Committee and a member of the Audit Committee and the Nomination Committee of the Company. Mr Wu is the Life Honorary Chairman of the Chinese General Chamber of Commerce, the Honorary Permanent President of the Chinese Gold & Silver Exchange Society and the Permanent Honorary President of the Hong Kong Securities Association Limited. He is an executive director of Lee Cheong Gold Dealers Limited. He is also an independent non-executive director of Yau Lee Holdings Limited, Henderson Investment Limited, Hong Kong Ferry (Holdings) Company Limited and Miramar Hotel and Investment Company, Limited, all of which are listed companies. Mr Wu previously served as an independent non-executive director of Chevalier Pacific Holdings Limited, a listed company, until 27 October 2011.

WOO Ka Biu, Jackson, *MA (Oxon),* aged 51, has been an Independent Non-executive Director of the Company since 1 March 2012. He holds an MA degree in Jurisprudence from the Oxford University and is a qualified solicitor in England and Wales, Hong Kong Special Administrative Region and Australia. He is an honorary director of Tsinghua University, a China-Appointed Attesting Officer appointed by the Ministry of Justice, People's Republic of China and a Practising Solicitor Member on the panel of the Solicitors' Disciplinary Tribunal in The Hong Kong Special Administrative Region. Mr Woo was a partner of Ashurst Hong Kong and a director of N M Rothschild & Sons (Hong Kong) Limited ("Rothschild"). Prior to joining Rothschild, Mr Woo was a partner in the corporate finance department of Woo, Kwan, Lee & Lo. Mr Woo was an alternate to Sir Po-shing Woo, in Sir Po-shing Woo's capacity as a non-executive director of the Company, a listed subsidiary of the Company. Mr Woo's corresponding alternate directorship ceased at the same time when Sir Po-shing Woo resigned from the Board of the Company on 29 February 2012. He is a director of Kailey Group of Companies. He is also an alternate to Sir Po-shing Woo, in Sir Po-shing Woo's capacity as an non-executive director of Sun Hung Kai Properties Limited, as well as an independent non-executive director of Ping An Insurance (Group) Company of China, Ltd., both of which are listed companies. He is the son of Sir Po-shing Woo.

LEUNG Hay Man, *FRICS, FCIArb, FHKIS*, aged 79, has been a Director of the Company since 1981 and was re-designated as Non-executive Director in 2004. On 22 August 2012, Mr Leung was re-designated as Independent Non-executive Director of the Company. He is also a member of the Audit Committee and the Corporate Governance Committee of the Company. Mr Leung is a Chartered Surveyor. He is also an independent non-executive director of Henderson Investment Limited, Hong Kong Ferry (Holdings) Company Limited and The Hong Kong and China Gas Company Limited, all of which are listed companies.

Professor POON Chung Kwong, *GBS, JP, PhD, DSc,* aged 74, has been an Independent Non-executive Director and a member of the Corporate Governance Committee of the Company since 25 October 2012. Professor Poon is currently the Chairman of Virya Foundation Limited (a registered non-profit charitable organisation) and he is the President Emeritus and Emeritus Professor of The Hong Kong Polytechnic University and had devoted 40 years of his life to advancing university education in Hong Kong before he retired in January 2009 from his 18-year presidency at The Hong Kong Polytechnic University. Professor Poon was appointed a non-official Justice of the Peace (JP) in 1989 and received the OBE award in 1991, the Gold Bauhinia Star (GBS) award in 2002, the "Leader of the Year Awards 2008 (Education)" and the Honorary Degree of Doctor of Humanity from The Hong Kong Polytechnic University in 2009. In addition, Professor Poon was appointed a member of the Legislative Council (1985 – 1991) and a member of the National Committee of the Chinese People's Political Consultative Conference (1998 – 2013). Professor Poon is the Honorary Professor of a number of top-rated universities in the mainland China. Professor Poon is a non-executive director of Lee & Man Paper Manufacturing Limited and an independent non-executive director of The Hong Kong and China Gas Company Limited, an associated company of the Company, Hopewell Highway Infrastructure Limited, K.Wah International Holdings Limited and Chevalier International Holdings Limited, all of which are listed companies.

Dr CHUNG Shui Ming, Timpson, *GBS, JP, DSSc (Hon),* aged 62, has been an Independent Non-executive Director of the Company since 8 November 2012 and is the Chairman of the Corporate Governance Committee of the Company. Dr Chung obtained a Bachelor's degree in science from the University of Hong Kong and a Master's degree in business administration from the Chinese University of Hong Kong, and was awarded a Doctor of Social Sciences honoris causa by the City University of Hong Kong. He is a fellow member of Hong Kong Institute of Certified Public Accountants. He is a member of the National Committee of the 10th, 11th and 12th Chinese People's Political Consultative Conference. Formerly, Dr Chung was the Chairman of the Council of the City University of Hong Kong, the Chairman of the Hong Kong Housing Society and the Chief Executive of the Hong Kong Special Administrative Region Government Land Fund Trust. Dr Chung is an independent non-executive director of Miramar Hotel and Investment Company, Limited, an associated company of the Company, China Unicom (Hong Kong) Limited, Glorious Sun Enterprises Limited, China Everbright Limited, China Overseas Grand Oceans Group Limited and China Construction Bank Corporation, all of which are listed on The Stock Exchange of Hong Kong Limited. Dr Chung is also an independent director of China State Construction Engineering Corporation Limited, listed on the Shanghai Stock Exchange. He was previously an independent director of China Everbright Bank Company Limited (listed on the Shanghai Stock Exchange). He previously served as an independent non-executive director of Nine Dragons Paper (Holdings) Limited, a listed company, until his retirement on 3 March 2013.

AU Siu Kee, Alexander, *OBE, ACA, FCCA, FCPA, AAIA, FCIB, FHKIB,* aged 67. Mr Au was an Executive Director and the Chief Financial Officer of the Company from December 2005 to June 2011. He stepped down from the position of Chief Financial Officer and was re-designated as a Non-executive Director on 1 July 2011. On 18 December 2012, Mr Au was re-designated as an Independent Non-executive Director of the Company. A banker by profession, he was the chief executive officer of Hang Seng Bank Limited from October 1993 to March 1998 and of Oversea-Chinese Banking Corporation Limited in Singapore from September 1998 to April 2002. He was formerly a non-executive director of a number of leading companies including The Hongkong and Shanghai Banking Corporation Limited, MTR Corporation Limited and Hang Lung Group Limited. Mr Au previously served as an independent non-executive director of Wheelock and Company Limited, a listed company until 22 October 2012. Currently Mr Au is an independent non-executive director of The Wharf (Holdings) Limited, a listed company. Within the Henderson Land Group, he is a non-executive director of Hong Kong Ferry (Holdings) Company Limited and Miramar Hotel and Investment Company, Limited, both of which are listed companies. He is the chairman and non-executive director of Henderson Sunlight Asset Management Limited, the manager of the publicly-listed Sunlight Real Estate Investment Trust. An accountant by training, Mr Au is a Chartered Accountant as well as a Fellow of The Association of Chartered Certified Accountants and the Hong Kong Institute of Certified Public Accountants.

Senior Management

YU Wai Wai, *JP, BA (AS), B Arch, HKIA, HonFHKIPM, Registered Architect (HK), Authorized Person (Architect),* aged 53, joined the Company in 2013 and is presently the General Manager of Project Management (1) Department. He is a member of the Hong Kong Institute of Architects, an Honorary Fellow of the Hong Kong Institute of Project Management and an Authorized Person (Architect). He has over 28 years of experience in property planning and design, project management, quality management, cost management, land acquisition and customer services. He also has experience in art and cultures, green building innovations, heritage and conservation developments. Mr Yu was appointed as a Justice of the Peace by the Government of the Hong Kong Special Administrative Region in 2013. Mr Yu is the Chairman of Zero Carbon Building Limited of Construction Industry Council and a member of the Estate Agents Authority. Prior to joining the company, he was an Executive Director of Sino Land Company Limited, a listed company. He was a council member of Construction Industry Council.

KWOK Man Cheung, Victor, *BA (AS), B Arch (Dist), MSc (Con P Mgt), EMBA, FHKIA, MAPM, RIBA, Authorized Person (Architect), Registered Architect (HK), PRC Class 1 Registered Architect Qualification,* aged 60, joined the Company in 2005 and is presently the General Manager of Project Management (2) Department. He possesses professional qualifications of both a project manager and an architect. He holds a Bachelor of Architecture (Distinction) degree and a Master of Science in Construction Project Management degree from The University of Hong Kong, and an Executive Master of Business Administration degree from Tsinghua University. He is a Fellow Member of The Hong Kong Institute of Architects and a Member of Association of Project Management. He has over 35 years of professional experience in the property and construction industry of Hong Kong and mainland China.

LEUNG Kam Leung, *MSc, PGDMS, FHKIS, FRICS, RPS (GP),* aged 60, joined the Company in 1997 and is presently the General Manager of Property Planning Department. He holds a Master of Science degree in International Real Estate and a Postgraduate Diploma in Management Studies. He is a Fellow Member of The Hong Kong Institute of Surveyors and The Royal Institution of Chartered Surveyors and is also a Registered Professional Surveyor. He has over 37 years' experience in land and property development. Prior to joining the Company, Mr Leung held a Chief Estate Surveyor post in the Lands Department of the Hong Kong Government and had over 20 years' experience in government land disposal, land exchange, lease modification and premium assessment. He is currently serving on several government advisory committees.

WONG Wing Hoo, Billy, *JP, BSc, FICE, FHKIE, FIHT, FHKIHT, RPE,* aged 56, joined the Company in 2006 and is presently the General Manager of Construction Department. He is a fellow member of the Institution of Civil Engineers, Hong Kong Institution of Engineers, Institution of Highways and Transportation and Hong Kong Institution of Highways and Transportation. He is also a Registered Professional Engineer under the Engineers Registration Ordinance Chapter 409. Mr Wong was appointed as a Justice of the Peace in 2005. He previously served as President of Hong Kong Construction Association, Chairman of Construction Industry Training Authority and Chairman of Construction Industry Training Board. Mr Wong is currently a Director of Hong Kong Science & Technology Parks Corporation and Permanent Supervisor of Hong Kong Construction Association.

CHENG Yuk Lun, Stephen, *BSc(Eng), C Eng, MICE, MIStructE, MHKIE, RPE*, *Registered Structural Engineer, Registered Geotechnical Engineer, Authorized Person (List II), PRC Class 1 Registered Structural Engineer Qualification*, aged 65, joined the Company in 1994 and is presently the General Manager of the Engineering Department. He is a member of the Hong Kong Institution of Engineers, the Institution of Civil Engineers, and the Institution of Structural Engineers. He has over 35 years of professional experience in structural, civil, and geotechnical engineering.

WONG Man Wa, Raymond, *LLB., PCLL, Solicitor,* aged 48, joined the Company in December 2012 and is presently the Senior General Manager of Sales Department. He possesses professional qualification as a solicitor in Hong Kong and is presently a member of the Property Committee of The Law Society of Hong Kong. He is also an individual member of The Real Estate Developers Association of Hong Kong. He holds a Bachelor of Laws (LL.B) degree and a Postgraduate Certificate in Laws (PCLL) from The University of Hong Kong. Prior to joining the Company, he had over 22 years' practical experience as a lawyer specializing in land and property development related works and was a partner of one of the largest international law firms in Hong Kong.

LAM Tat Man, Thomas, *MEM(UTS), DMS, EHKIM, MHIREA, CHINA GBL MANAGER,* aged 54, joined the Company in 1983 and is presently the General Manager of Sales (1) Department. He holds a Master Degree in Engineering Management from the University of Technology, Sydney, Australia and a Diploma in Management Studies from The Hong Kong Polytechnic University. He is an Ordinary Member of Hong Kong Institute of Real Estate Administrators and an Executive Member of Hong Kong Institute of Marketing and a China Green Building Label Manager. He has over 30 years' experience in property sales and marketing.

HAHN Ka Fai, Mark, *BSc, MRICS, MHKIS, RPS (GP),* aged 50, joined the company in 2013 and is presently the General Manager of Sales (2) Department. He is a member of both The Royal Institution of Chartered Surveyors and The Hong Kong Institute of Surveyors. He has over 27 years' experience in property acquisitions, developments, sales and marketing as well as fund raising involving projects in Hong Kong, mainland China, Taiwan and Japan. Prior to joining the Company, he was a founding Director of CY Leung & Co (now DTZ), Associate Director at Sino Land and Executive Director, Asia/Managing Director, Development at Grosvenor.

CHOI Ngai Min, Michael, *JP,* aged 56, joined the Company in 2013 and is presently the Incharge of China Sales Centre. He graduated from the Business Management Department of the Hong Kong Baptist College and holds a Master Degree in Business Administration from the University of East Asia, Macau. He has been in the real estate industry for 33 years and has extensive knowledge and experience in the real estate markets in Hong Kong and mainland China. Mr Choi was appointed as a Justice of the Peace by the Government of the Hong Kong Special Administrative Region in 2005. Currently, he is a member of the Long Term Housing Strategy Steering Committee, a member of the Hong Kong Housing Authority, the Chairman of the Commercial Properties Committee of the Hong Kong Housing Authority, the Vice President of The Hong Kong Real Property Federation Limited and the Vice President of the Hong Kong Institute of Real Estate Administrators.

LEE Pui Man, Margaret, *BHum (Hons),* aged 53, joined the Company in 1984 and is presently the Senior General Manager of Portfolio Leasing Department. She holds a B Hum (Honours) degree from the University of London and has over 29 years' experience in marketing development. She is the eldest daughter of Dr Lee Shau Kee, the spouse of Mr Li Ning and the sister of Mr Lee Ka Kit and Mr Lee Ka Shing.

SIT Pak Wing, *ACIS, FHIREA,* aged 66, joined the Company in 1991 and is presently the General Manager of Portfolio Leasing Department. He is a Member of The Institute of Chartered Secretaries and Administrators, a Fellow Member of the Hong Kong Institute of Real Estate Administrators and an individual Member of The Real Estate Developers Association of Hong Kong. He has over 35 years' experience in marketing development, leasing and property management.

Dr WONG Kim Wing, Ball, *BA (AS), B. Arch, PhD (Finance), FHKIA, Registered Architect (HK), Authorized Person (List 1, HK),* aged 52, joined the Company in August 2011 as the group consultant and serves to advise Henderson Land Group in his expert areas of sales and marketing, leasing, and project management. He is also presently acting as the General Manager of Asset Development Department and advises Henderson Land Group on its asset development and asset branding of investment portfolio. Dr Wong is a Registered Architect and Authorized Person in Hong Kong and holds a PhD Degree in Finance from the Shanghai University of Finance and Economics. Prior to joining Henderson Land Group, he was an executive director of CC Land Holdings Ltd., and was the Director (Project and Planning) of The Link Management Limited (as Manager of The Link Real Estate Investment Trust). He had also served Sun Hung Kai Properties Group for over 10 years.

LIU Cheung Yuen, Timon, *BEc, FCPA, CA (Aust), FCS, FCIS,* aged 56, joined the Henderson Land Group in 2005 and is presently the Company Secretary of the Group. Mr Liu graduated from Monash University, Australia with a bachelor's degree in Economics. He is a fellow of both the Hong Kong Institute of Certified Public Accountants and The Hong Kong Institute of Chartered Secretaries, and an associate of The Institute of Chartered Accountants in Australia. He has many years' experience in accounting, auditing, corporate finance, corporate investment and development, and company secretarial practice.

WONG Wing Kee, Christopher, *BSc (Econ), FCA,* aged 51, joined the Company in June 2007 and is presently the General Manager of Accounts Department. Mr Wong graduated from The London School of Economics and Political Science, University of London and is a fellow of the Institute of Chartered Accountants in England & Wales. He has over 25 years of experience in accounting, auditing, investment banking and corporate finance in the United Kingdom and in Hong Kong. Prior to joining the Company, Mr Wong was the Chief Financial Officer of Kerry Properties Limited between December 2004 and May 2007.

NGAN Suet Fong, Bonnie, *BBA,* aged 56, joined the Company in January 2005 and is presently the General Manager of Corporate Communications Department. Ms Ngan graduated from the University of Wisconsin, USA. She has over 30 years of experience in both banking and real estate industries, and has held senior positions in corporate communications, marketing, retail banking and e-business. Prior to joining the Company, Ms Ngan was the General Manager, Corporate Communications and Public Relations of Hong Kong Tourism Board.

Accounts

Report of the Independent Auditor

Independent auditor's report to the shareholders of Henderson Land Development Company Limited

(Incorporated in Hong Kong with limited liability)

We have audited the consolidated accounts of Henderson Land Development Company Limited ("the Company") and its subsidiaries (together "the Group") set out on pages 143 to 237, which comprise the consolidated and company balance sheets as at 31 December 2013, the consolidated statement of profit or loss, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated cash flow statement for the year then ended and a summary of significant accounting policies and other explanatory information.

Directors' responsibility for the consolidated accounts

The directors of the Company are responsible for the preparation of consolidated accounts that give a true and fair view in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants and the Hong Kong Companies Ordinance and for such internal control as the directors determine is necessary to enable the preparation of consolidated accounts that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express an opinion on these consolidated accounts based on our audit. This report is made solely to you, as a body, in accordance with section 141 of the Hong Kong Companies Ordinance, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated accounts are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated accounts. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the consolidated accounts, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of the consolidated accounts that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the consolidated accounts.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated accounts give a true and fair view of the state of affairs of the Company and of the Group as at 31 December 2013 and of the Group's profit and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the Hong Kong Companies Ordinance.

KPMG
Certified Public Accountants

8th Floor, Prince's Building
10 Chater Road
Central, Hong Kong

20 March 2014

Consolidated Statement of Profit or Loss

for the year ended 31 December 2013

	Note	2013 HK$ million	2012 (restated) HK$ million
Turnover	5	**23,289**	15,592
Direct costs		**(14,508)**	(8,167)
		8,781	7,425
Other revenue	6	**522**	584
Other net income	7	**8**	23
Selling and marketing expenses		**(1,255)**	(882)
Administrative expenses		**(1,931)**	(1,851)
Profit from operations before changes in fair value of investment properties and investment properties under development		**6,125**	5,299
Increase in fair value of investment properties and investment properties under development	17(a)	**6,345**	8,813
Profit from operations after changes in fair value of investment properties and investment properties under development		**12,470**	14,112
Finance costs	8(a)	**(957)**	(1,239)
Share of profits less losses of associates		**3,669**	4,041
Share of profits less losses of joint ventures		**2,613**	4,416
Profit before taxation	8	**17,795**	21,330
Income tax	11(a)	**(1,739)**	(1,005)
Profit for the year		**16,056**	20,325
Attributable to:			
Equity shareholders of the Company		**15,948**	20,201
Non-controlling interests		**108**	124
Profit for the year		**16,056**	20,325
Earnings per share based on profit attributable to equity shareholders of the Company (reported earnings per share)			
Basic and diluted	*15(a)*	***HK$5.97***	*HK$7.70**
Earnings per share excluding the effects of changes in fair value of investment properties and investment properties under development (net of deferred tax) (underlying earnings per share)			
Basic and diluted	*15(b)*	***HK$3.35***	*HK$2.70**

* *Adjusted for the bonus issue in 2013.*

The notes on pages 150 to 237 form part of these accounts. Details of dividends payable to equity shareholders of the Company attributable to the profit for the year are set out in note 13.

Consolidated Statement of Profit or Loss and Other Comprehensive Income

for the year ended 31 December 2013

	Note	2013 HK$ million	2012 (restated) HK$ million
Profit for the year		**16,056**	20,325
Other comprehensive income for the year (after tax and reclassification adjustments):	14		
Items that will not be reclassified to profit or loss:			
– Share of other comprehensive income of associates and joint ventures		**45**	(17)
Items that may be reclassified subsequently to profit or loss:			
– Exchange differences: net movement in the exchange reserve		**1,491**	(29)
– Cash flow hedges: net movement in the hedging reserve		**1,214**	(424)
– Available-for-sale equity securities: net movement in the fair value reserve		**(151)**	386
– Share of other comprehensive income of associates and joint ventures		**335**	176
Other comprehensive income for the year		**2,934**	92
Total comprehensive income for the year		**18,990**	20,417
Attributable to:			
Equity shareholders of the Company		**18,863**	20,295
Non-controlling interests		**127**	122
Total comprehensive income for the year		**18,990**	20,417

The notes on pages 150 to 237 form part of these accounts.

Balance Sheets

At 31 December 2013

	Note	The Group			The Company	
		At 31 December 2013	At 31 December 2012 (restated)	At 1 January 2012 (restated)	**At 31 December 2013**	At 31 December 2012
		HK$ million	HK$ million	HK$ million	**HK$ million**	HK$ million
Non-current assets						
Fixed assets	17	**108,872**	101,072	92,771	**–**	–
Intangible operating right	18	**394**	415	454	**–**	–
Interest in subsidiaries	19	**–**	–	–	**141,386**	137,512
Interest in associates	20	**48,108**	42,403	40,092	**99**	128
Interest in joint ventures	21	**31,046**	29,588	23,722	**113**	267
Derivative financial instruments	22	**409**	595	620	**–**	–
Other financial assets	23	**5,614**	4,379	3,617	**–**	–
Deferred tax assets	11(c)	**523**	804	673	**–**	–
		194,966	179,256	161,949	**141,598**	137,907
Current assets						
Deposits for acquisition of properties	24	**5,604**	5,645	8,433	**–**	–
Inventories	25	**80,233**	76,403	68,204	**–**	–
Trade and other receivables	26	**7,453**	5,814	4,495	**67**	67
Cash held by stakeholders		**1,943**	1,852	514	**–**	–
Cash and bank balances	28	**13,915**	12,538	18,850	**1**	1
		109,148	102,252	100,496	**68**	68
Current liabilities						
Trade and other payables	29	**15,890**	15,265	9,030	**22,561**	20,553
Bank loans and overdrafts	30	**5,514**	2,826	19,699	**–**	–
Guaranteed notes	31	**1,904**	–	–	**–**	–
Amount due to a fellow subsidiary	32	**1,261**	546	–	**–**	–
Tax payable		**850**	858	798	**–**	–
		25,419	19,495	29,527	**22,561**	20,553
Net current assets/(liabilities)		**83,729**	82,757	70,969	**(22,493)**	(20,485)
Total assets less current liabilities		**278,695**	262,013	232,918	**119,105**	117,422

At 31 December 2013

	Note	The Group			The Company	
		At 31 December 2013	At 31 December 2012 (restated)	At 1 January 2012 (restated)	**At 31 December 2013**	At 31 December 2012
		HK$ million	HK$ million	HK$ million	**HK$ million**	HK$ million
Non-current liabilities						
Bank loans	30	**23,058**	20,491	16,581	**–**	–
Guaranteed notes	31	**16,309**	18,301	10,877	**–**	–
Amount due to a fellow subsidiary	32	**4,213**	5,579	8,583	**–**	–
Derivative financial instruments	22	**959**	2,378	1,895	**–**	–
Deferred tax liabilities	11(c)	**6,156**	5,412	5,082	**–**	–
		50,695	52,161	43,018	**–**	–
NET ASSETS		**228,000**	209,852	189,900	**119,105**	117,422
CAPITAL AND RESERVES	33					
Share capital	33(b)	**5,398**	4,830	4,738	**5,398**	4,830
Reserves		**218,004**	200,333	180,573	**113,707**	112,592
Total equity attributable to equity shareholders of the Company		**223,402**	205,163	185,311	**119,105**	117,422
Non-controlling interests		**4,598**	4,689	4,589	**–**	–
TOTAL EQUITY		**228,000**	209,852	189,900	**119,105**	117,422

Approved and authorised for issue by the Board of Directors on 20 March 2014.

Lee Shau Kee
Lee Tat Man
Directors

The notes on pages 150 to 237 form part of these accounts.

Consolidated Statement of Changes in Equity

for the year ended 31 December 2013

	Note	Attributable to equity shareholders of the Company											
		Share capital HK$ million	Share premium HK$ million	Capital redemption reserve HK$ million	Property revaluation reserve HK$ million	Exchange reserve HK$ million	Fair value reserve HK$ million	Hedging reserve HK$ million	Other reserves HK$ million	Retained profits HK$ million	Total HK$ million	Non-controlling interests HK$ million	Total equity HK$ million
Balance at 1 January 2012		4,738	41,807	20	16	6,574	17	(756)	51	132,869	185,336	4,589	189,925
Impact of change in accounting policy by the Group's associates	2	–	–	–	–	–	–	–	–	(25)	(25)	–	(25)
Restated balance at 1 January 2012		4,738	41,807	20	16	6,574	17	(756)	51	132,844	185,311	4,589	189,900
Changes in equity for 2012:													
Profit for the year (restated)		–	–	–	–	–	–	–	–	20,201	20,201	124	20,325
Other comprehensive income for the year (restated)	14(c)	–	–	–	–	41	554	(484)	–	(17)	94	(2)	92
Total comprehensive income for the year (restated)		–	–	–	–	41	554	(484)	–	20,184	20,295	122	20,417
Transfer to other reserves		–	–	–	–	–	–	–	1	(1)	–	–	–
Shares issued in respect of scrip dividends	33(b)	92	1,899	–	–	–	–	–	–	–	1,991	–	1,991
Dividend approved in respect of the previous financial year	13(b)	–	–	–	–	–	–	–	–	(1,658)	(1,658)	–	(1,658)
Dividend declared and paid in respect of the current year	13(a)	–	–	–	–	–	–	–	–	(768)	(768)	–	(768)
Share of associates' reserve		–	–	–	–	–	–	–	–	(8)	(8)	–	(8)
Dividends paid to non-controlling interests		–	–	–	–	–	–	–	–	–	–	(98)	(98)
Increase in shareholding in a subsidiary		–	–	–	–	–	–	–	–	–	–	(2)	(2)
Advance from non-controlling interests, net		–	–	–	–	–	–	–	–	–	–	78	78
Restated balance at 31 December 2012		4,830	43,706	20	16	6,615	571	(1,240)	52	150,593	205,163	4,689	209,852
Balance at 1 January 2013		**4,830**	**43,706**	**20**	**16**	**6,615**	**571**	**(1,240)**	**52**	**150,642**	**205,212**	**4,689**	**209,901**
Impact of change in accounting policy by the Group's associates	2	–	–	–	–	–	–	–	–	**(49)**	**(49)**	–	**(49)**
Restated balance at 1 January 2013		**4,830**	**43,706**	**20**	**16**	**6,615**	**571**	**(1,240)**	**52**	**150,593**	**205,163**	**4,689**	**209,852**
Changes in equity for 2013:													
Profit for the year		–	–	–	–	–	–	–	–	**15,948**	**15,948**	**108**	**16,056**
Other comprehensive income for the year	14(c)	–	–	–	–	**1,821**	**(225)**	**1,270**	**4**	**45**	**2,915**	**19**	**2,934**
Total comprehensive income for the year		–	–	–	–	**1,821**	**(225)**	**1,270**	**4**	**15,993**	**18,863**	**127**	**18,990**
Transfer to other reserves		–	–	–	–	–	–	–	**8**	**(8)**	–	–	–
Shares issued in respect of scrip dividends	33(b)	**86**	**1,903**	–	–	–	–	–	–	–	**1,989**	–	**1,989**
Bonus shares issued	33(b)	**482**	**(482)**	–	–	–	–	–	–	–	–	–	–
Dividend approved in respect of the previous financial year	13(b)	–	–	–	–	–	–	–	–	**(1,787)**	**(1,787)**	–	**(1,787)**
Dividend declared and paid in respect of the current year	13(a)	–	–	–	–	–	–	–	–	**(859)**	**(859)**	–	**(859)**
Share of associates' reserves		–	–	–	–	–	–	–	**(65)**	**98**	**33**	–	**33**
Dividends paid to non-controlling interests		–	–	–	–	–	–	–	–	–	–	**(40)**	**(40)**
Increase in shareholding in a subsidiary		–	–	–	–	–	–	–	–	–	–	**(19)**	**(19)**
Repayment to non-controlling interests, net		–	–	–	–	–	–	–	–	–	–	**(159)**	**(159)**
Balance at 31 December 2013		**5,398**	**45,127**	**20**	**16**	**8,436**	**346**	**30**	**(1)**	**164,030**	**223,402**	**4,598**	**228,000**

The notes on pages 150 to 237 form part of these accounts.

Consolidated Cash Flow Statement

for the year ended 31 December 2013

	Note	2013 HK$ million	2012 HK$ million
Operating activities			
Profit before taxation (2012 – restated)		**17,795**	21,330
Adjustments for:			
– Interest income		**(461)**	(591)
– Dividend income from investments in available-for-sale equity securities	8(d)	**(94)**	(299)
– Net (gain)/loss on disposal of fixed assets	7	**(2)**	6
– Fixed assets written off	7	**51**	–
– Provision on inventories, net	7	**304**	36
– Bad debts (reversed)/written off	7	**(1)**	1
– Impairment loss on trade debtors	7	**2**	–
– Gain on disposal of subsidiaries	7 & 34(b)	**(667)**	(187)
– Impairment loss on available-for-sale equity securities	7	**344**	–
– Net gain on disposal of available-for-sale equity securities	7	**(163)**	(109)
– Increase in fair value of investment properties and investment properties under development	17(a)	**(6,345)**	(8,813)
– Finance costs	8(a)	**957**	1,239
– Amortisation and depreciation	8(d)	**197**	211
– Share of profits less losses of associates (2012 – restated)		**(3,669)**	(4,041)
– Share of profits less losses of joint ventures		**(2,613)**	(4,416)
– Net foreign exchange (gain)/loss		**(15)**	328
Operating profit before changes in working capital		**5,620**	4,695
Increase in instalments receivable		**(842)**	(351)
Decrease in long term receivable		**14**	16
Decrease in deposits for acquisition of properties		**171**	2,782
Increase in inventories (other than those acquired through purchase of subsidiaries and transfers to/from investment properties)		**(4,213)**	(7,481)
Increase in debtors, prepayments and deposits		**(956)**	(718)
Increase in gross amount due from customers for contract work		**(27)**	(28)
Increase in cash held by stakeholders		**(91)**	(1,338)
Increase in creditors and accrued expenses		**1,714**	1,581
(Decrease)/increase in gross amount due to customers for contract work		**(244)**	268
(Decrease)/increase in rental and other deposits		**(30)**	156
(Decrease)/increase in forward sales deposits received		**(1,344)**	3,967
Cash (used in)/generated from operations		**(228)**	3,549
Interest received		**96**	96
Tax paid			
– Hong Kong		**(783)**	(694)
– Outside Hong Kong		**(435)**	(309)
Net cash (used in)/generated from operating activities		**(1,350)**	2,642

Consolidated Cash Flow Statement

for the year ended 31 December 2013

	Note	**2013 HK$ million**	2012 HK$ million
Investing activities			
Payment for purchase of fixed assets		**(507)**	(498)
Proceeds from disposal of fixed assets		**540**	786
Advances to associates		**(191)**	(83)
Repayment from/(advances to) joint ventures		**227**	(2,493)
Additional investments in associates		**(3,137)**	–
Additional investments in joint ventures		**(1)**	–
Payment for purchase of available-for-sale equity securities		**(6)**	(93)
Proceeds from sale of available-for-sale equity securities		**238**	29
Acquisition of subsidiaries	34(a)	**(119)**	(255)
Proceeds from disposal of subsidiaries	34(b)	**912**	541
Additional investments in subsidiaries		**(34)**	(2)
Interest received		**356**	493
Dividends received from associates		**1,438**	1,873
Dividends received from joint ventures		**1,097**	1,034
Distribution from available-for-sale equity securities		**–**	153
Dividends received from available-for-sale equity securities		**94**	299
Increase in deposits with banks and other financial institutions over three months of maturity at acquisition		**(176)**	–
Net cash generated from investing activities		**731**	1,784
Financing activities			
(Repayment to)/advance from non-controlling interests, net		**(144)**	75
Proceeds from new bank loans		**14,206**	3,370
Repayment of bank loans		**(8,971)**	(16,280)
Proceeds from issuance of guaranteed notes, net		**–**	7,220
Decrease in amount due to a fellow subsidiary		**(819)**	(2,406)
Interest and other borrowing costs paid		**(2,068)**	(2,208)
Dividends paid to equity shareholders of the Company		**(657)**	(435)
Dividends paid to non-controlling interests		**(40)**	(98)
Net cash generated from/(used in) financing activities		**1,507**	(10,762)
Net increase/(decrease) in cash and cash equivalents		**888**	(6,336)
Cash and cash equivalents at 1 January	28	**12,456**	18,803
Effect of foreign exchange rate changes		**290**	(11)
Cash and cash equivalents at 31 December	28	**13,634**	12,456

The notes on pages 150 to 237 form part of these accounts.

Notes to the accounts

for the year ended 31 December 2013

1 General information

Henderson Land Development Company Limited ("the Company") is incorporated in Hong Kong and its shares are listed on The Stock Exchange of Hong Kong Limited. The address of the Company's registered office and principal place of business is 72/F-76/F, Two International Finance Centre, 8 Finance Street, Central, Hong Kong.

The principal activity of the Company is investment holding and the principal activities of its subsidiaries are property development and investment, construction, infrastructure, hotel operation and management, department store operation and management, finance, project management, investment holding and property management.

2 Significant accounting policies

(a) Statement of compliance

These accounts have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards ("HKFRSs"), which collective term includes all applicable individual HKFRSs, Hong Kong Accounting Standards ("HKASs") and Interpretations issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), accounting principles generally accepted in Hong Kong and the requirements of the Hong Kong Companies Ordinance. These accounts also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("Listing Rules"). A summary of the significant accounting policies adopted by the Company and its subsidiaries (collectively referred to as "the Group") is set out below.

(b) Changes in accounting policies

The HKICPA has issued a number of new HKFRSs and amendments to HKFRSs that are first effective for the current accounting period of the Group and the Company. Of these, the following developments are relevant to the Group's accounts for the year ended 31 December 2013:

- Amendments to HKAS 1, *Presentation of financial statements – Presentation of items of other comprehensive income*

  The amendments to HKAS 1 require entities to present separately the items of other comprehensive income that would be reclassified to profit or loss in the future if certain conditions are met from those that would never be reclassified to profit or loss. The Group's presentation of other comprehensive income in the consolidated statement of profit or loss and other comprehensive income in these accounts has been modified accordingly. In addition, the Group has chosen to use the new titles "statement of profit or loss" and "statement of profit or loss and other comprehensive income" as introduced by the amendments in these accounts.

- HKFRS 10, *Consolidated financial statements*

  HKFRS 10 replaces the requirements in HKAS 27, *Consolidated and separate financial statements* relating to the preparation of consolidated financial statements and HK(SIC)-Int 12 *Consolidation – Special purpose entities*. It introduces a single control model to determine whether an investee should be consolidated, by focusing on whether the entity has power over the investee, exposure or rights to variable returns from its involvement with the investee and the ability to use its power to affect the amount of those returns. As a result of the adoption of HKFRS 10, the Group has changed its accounting policy with respect to determining whether it has control over an investee. The adoption does not change any of the control conclusions reached by the Group in respect of its involvement with other entities at 1 January 2013.

2 Significant accounting policies (continued)

(b) Changes in accounting policies (continued)

- HKFRS 11, *Joint arrangements*

  HKFRS 11, which replaces HKAS 31, *Interests in joint ventures*, divides joint arrangements into joint operations and joint ventures. Entities are required to determine the type of an arrangement by considering the structure, legal form, contractual terms and other facts and circumstances relevant to their rights and obligations under the arrangement. Joint arrangements which are classified as joint operations under HKFRS 11 are recognised on a line-by-line basis to the extent of the joint operator's interest in the joint operation. All other joint arrangements are classified as joint ventures under HKFRS 11 and are required to be accounted for using the equity method in the Group's consolidated accounts. Proportionate consolidation is no longer allowed as an accounting policy choice. As a result of the adoption of HKFRS 11, the Group has changed its accounting policy with respect to its interest in joint arrangements and re-evaluated its involvement in its joint arrangements. The Group has reclassified the investment from jointly controlled entity to joint venture. The investment continues to be accounted for using the equity method and therefore this reclassification does not have any material impact on the financial position and the financial results of the Group.

- HKFRS 12, *Disclosure of interests in other entities*

  HKFRS 12 brings together into a single standard all the disclosure requirements relevant to an entity's interests in subsidiaries, joint arrangements, associates and unconsolidated structured entities. The disclosures required by HKFRS 12 are generally more extensive than those previously required by the respective standards. To the extent that the requirements are applicable to the Group, the Group has provided those disclosures in notes 19, 20 and 21.

- HKFRS 13, *Fair value measurement*

  HKFRS 13 replaces the existing guidance in individual HKFRSs with a single source of fair value measurement guidance, and also contains extensive disclosure requirements about fair value measurements for both financial instruments and non-financial instruments. To the extent that the requirements are applicable to the Group, the Group has provided these disclosures in notes 4 and 17. The adoption of HKFRS 13 does not have any material impact on the fair value measurements of the Group's assets and liabilities.

- Revised HKAS 19, *Employee benefits*

  Revised HKAS 19 introduces a number of amendments to the accounting for defined benefit plans. Among them, revised HKAS 19 eliminates the "corridor method" under which the recognition of actuarial gains and losses relating to defined benefit schemes could be deferred and recognised in profit or loss over the expected average remaining service lives of employees. Under the revised standard, all actuarial gains and losses are required to be recognised immediately in other comprehensive income. Revised HKAS 19 also changed the basis for determining income from plan assets from expected return to interest income calculated at the liability discount rate, and requires immediate recognition of past service cost, whether vested or not.

2 Significant accounting policies (continued)

(b) Changes in accounting policies (continued)

- Revised HKAS 19, *Employee benefits* (continued)

  As a result of the adoption of revised HKAS 19, the Group's certain associates have changed their accounting policy with respect to defined benefit plans, for which the corridor method was previously applied. This change in accounting policy has been applied retrospectively by restating the balances at 1 January 2012 and 31 December 2012, with consequential adjustments to comparatives for the year ended 31 December 2012 as follows:

	As previously reported HK$ million	Effect of adopting revised HKAS 19 HK$ million	As restated HK$ million
Consolidated statement of profit or loss for the year ended 31 December 2012:			
Share of profits less losses of associates	4,048	(7)	4,041
Profit for the year	20,332	(7)	20,325
Profit for the year attributable to equity shareholders of the Company	20,208	(7)	20,201
Total comprehensive income for the year	20,441	(24)	20,417
Total comprehensive income for the year attributable to equity shareholders of the Company	20,319	(24)	20,295
Consolidated balance sheet at 31 December 2012:			
Interest in associates	42,452	(49)	42,403
Total non-current assets	179,305	(49)	179,256
Retained profits	150,642	(49)	150,593
Net assets/Total equity	209,901	(49)	209,852
Consolidated balance sheet at 1 January 2012:			
Interest in associates	40,117	(25)	40,092
Total non-current assets	161,974	(25)	161,949
Retained profits	132,869	(25)	132,844
Net assets/Total equity	189,925	(25)	189,900

  This change in accounting policy did not have a material impact on current or deferred taxation, and earnings per share.

2 Significant accounting policies (continued)

(b) Changes in accounting policies (continued)

- Annual improvements to HKFRSs 2009-2011 cycle

  This cycle of annual improvements contains amendments to five standards with consequential amendments to other standards and interpretations. Among them, HKAS 1 has been amended to clarify that an opening balance sheet is required only when a retrospective application of an accounting policy, a retrospective restatement or a reclassification has a material effect on the information presented in the opening balance sheet. The amendments also remove the requirement to present related notes to the opening balance sheet when such balance sheet is presented. Since the Group considers that the restatement resulting from the adoption of revised HKAS 19 has a material impact on the opening balance, an additional balance sheet as at 1 January 2012 has been presented in these accounts.

In respect of the other developments, none of them has material impact on these accounts.

Up to the date of issue of these accounts, the HKICPA has issued a number of amendments and new standards which are not yet effective for the year ended 31 December 2013 and which have not been adopted in these accounts. These include the following which may be relevant to the Group:

		Effective for accounting periods beginning on or after
Amendments to HKAS 32	*Offsetting financial assets and financial liabilities*	1 January 2014
Amendments to HKAS 39	*Novation of derivatives and continuation of hedge accounting*	1 January 2014
HKFRS 9	*Financial instruments*	To be announced by the HKICPA

The Group is in the process of making an assessment of what the impact of these amendments and new standards is expected to be in the period of initial application. So far it has concluded that the adoption of them is unlikely to have a significant impact on the accounts.

(c) Basis of preparation of the accounts

The consolidated accounts for the year ended 31 December 2013 comprise the Company and its subsidiaries and the Group's interests in associates and joint ventures.

The measurement basis used in the preparation of the accounts is the historical cost basis except that the following assets and liabilities are stated at their fair value as explained in the accounting policies set out below:

– financial instruments classified as available-for-sale equity securities (see note 2(g));

– derivative financial instruments (see note 2(h)); and

– investment properties and investment properties under development (see note 2(j)(i)).

2 Significant accounting policies (continued)

(c) Basis of preparation of the accounts (continued)

The preparation of accounts in conformity with HKFRSs requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Judgements made by management in the application of HKFRSs that have significant effect on the accounts and the key sources of estimation uncertainty are discussed in note 3.

(d) Subsidiaries and non-controlling interests

Subsidiaries are entities controlled by the Group. The Group controls an entity when it is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. When assessing whether the Group has power, only substantive rights (held by the Group and other parties) are considered.

An investment in a subsidiary is consolidated into the consolidated accounts from the date that control commences until the date that control ceases. Intra-group balances, transactions and cash flows and any unrealised profits arising from intra-group transactions are eliminated in full in preparing the consolidated accounts. Unrealised losses resulting from intra-group transactions are eliminated in the same way as unrealised gains but only to the extent that there is no evidence of impairment.

Non-controlling interests represent the equity in a subsidiary not attributable directly or indirectly to the Company, and in respect of which the Group has not agreed any additional terms with the holders of those interests which would result in the Group as a whole having a contractual obligation in respect of those interests that meets the definition of a financial liability. For each business combination, the Group can elect to measure any non-controlling interest either at fair value or at the non-controlling interest's proportionate share of the subsidiary's net identifiable assets.

Non-controlling interests are presented in the consolidated balance sheet within equity, separately from equity attributable to the equity shareholders of the Company. Non-controlling interests in the results of the Group are presented on the face of the consolidated statement of profit or loss and the consolidated statement of profit or loss and other comprehensive income as an allocation of the total profit or loss and total comprehensive income for the year between non-controlling interests and the equity shareholders of the Company.

Changes in the Group's interests in a subsidiary that do not result in a loss of control are accounted for as equity transactions, whereby adjustments are made to the amounts of controlling and non-controlling interests within consolidated equity to reflect the change in relative interests, but no adjustments are made to goodwill and no gain or loss is recognised.

2 Significant accounting policies (continued)

(d) Subsidiaries and non-controlling interests (continued)

When the Group loses control of a subsidiary, it is accounted for as a disposal of the entire interest in that subsidiary, with a resultant gain or loss being recognised in profit or loss. Any interest retained in that former subsidiary at the date when control is lost is recognised at fair value and this amount is regarded as the fair value on initial recognition of a financial asset (see note 2(g)) or, where appropriate, the cost on initial recognition of an investment in an associate or a joint venture (see note 2(e)).

In the Company's balance sheet, an investment in a subsidiary is stated at cost less impairment losses (see note 2(n)), unless the investment is classified as held for sale (or included in a disposal group that is classified as held for sale).

(e) Associates and joint ventures

An associate is an entity in which the Group or the Company has significant influence, but not control or joint control, over its management, including participation in financial and operating policy decisions.

A joint venture is an arrangement whereby the Group or the Company and other parties contractually agree to share control of the arrangement, and have rights to the net assets of the arrangement.

An investment in an associate or a joint venture is accounted for in the consolidated accounts under the equity method, unless it is classified as held for sale (or included in a disposal group that is classified as held for sale). Under the equity method, the investment is initially recorded at cost, adjusted for any excess of the Group's share of the acquisition-date fair values of the investee's identifiable net assets over the cost of the investment (if any). Thereafter, the investment is adjusted for the post-acquisition change in the Group's share of the investee's net assets and any impairment loss relating to the investment (see note 2(n)). Any excess of acquisition-date fair value over cost, the Group's share of the post-acquisition post-tax results of the investees and any impairment losses for the year are recognised in the consolidated statement of profit or loss, whereas the Group's share of the post-acquisition post-tax items of the investee's other comprehensive income is recognised in the consolidated statement of profit or loss and other comprehensive income.

When the Group's share of losses exceeds its interest in the associate or the joint venture, the Group's interest is reduced to nil and recognition of further losses is discontinued except to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the investee. For this purpose, the Group's interest is the carrying amount of the investment under the equity method together with the Group's long-term interests that in substance form part of the Group's net investment in the associate or the joint venture.

Unrealised profits and losses resulting from transactions between the Group and its associates and joint ventures are eliminated to the extent of the Group's interest in the investee, except where unrealised losses provide evidence of an impairment of the asset transferred, in which case they are recognised immediately in profit or loss.

If an investment in an associate becomes an investment in a joint venture or vice versa, the retained interest is not remeasured. Instead, the investment continues to be accounted for under the equity method. In all other cases, when the Group ceases to have significant influence over an associate or joint control over a joint venture, it is accounted for as a disposal of the entire interest in that investee, with a resulting gain or loss being recognised in profit or loss. Any interest retained in that former investee at the date when significant influence or joint control is lost is recognised at fair value and this amount is regarded as the fair value on initial recognition of a financial asset (see note 2(g)).

In the Company's balance sheet, investments in associates and joint ventures are stated at cost less impairment losses (see note 2(n)), unless classified as held for sale (or included in a disposal group that is classified as held for sale).

2 Significant accounting policies (continued)

(f) Goodwill

Goodwill represents the excess of:

(i) the aggregate of the fair value of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the Group's previously held equity interest in the acquiree; over

(ii) the net fair value of the acquiree's identifiable assets and liabilities measured as at the acquisition date.

When (ii) is greater than (i), then this excess is recognised immediately in profit or loss as a gain on bargain purchase.

Goodwill is stated at cost less accumulated impairment losses. Goodwill arising on a business combination is allocated to each cash-generating unit, or groups of cash-generating units, that is expected to benefit from the synergies of the combination and is tested annually for impairment (see note 2(n)).

On disposal of a cash-generating unit during the year, any attributable amount of purchased goodwill is included in the calculation of the profit or loss on disposal.

(g) Other investments in equity securities

The Group's policies for investments in equity securities, other than investments in subsidiaries, associates and joint ventures, are as follows:

Investments in equity securities are initially stated at fair value, which is their transaction price unless it is determined that the fair value at initial recognition differs from the transaction price and that fair value is evidenced by a quoted price in an active market for an identical asset or liability or based on a valuation technique that uses only data from observable markets. These investments are subsequently accounted for as follows, depending on their classification:

Investments in equity securities which do not fall into the above category are classified as available-for-sale equity securities. At each balance sheet date the fair value is re-measured, with any resultant gain or loss being recognised in other comprehensive income and accumulated separately in equity in the fair value reserve. As an exception to this arrangement, investments in equity securities that do not have a quoted price in an active market for an identical instrument and whose fair value cannot otherwise be reliably measured are recognised in the balance sheet at cost less impairment losses (see note 2(n)). Cost includes attributable transaction costs. Dividend income from equity securities is recognised in profit or loss in accordance with the policies set out in note 2(x)(viii).

When the investments are derecognised or impaired (see note 2(n)), the cumulative gain or loss recognised in equity is reclassified to profit or loss. Investments are recognised/derecognised on the date the Group commits to purchase/sell the investments or they expire.

(h) Derivative financial instruments

Derivative financial instruments are recognised initially at fair value. At each balance sheet date the fair value is re-measured. The gain or loss on re-measurement to fair value is recognised immediately in profit or loss, except where the derivatives qualify for cash flow hedge accounting, in which case recognition of any resultant gain or loss depends on the nature of the item being hedged (see note 2(i)).

2 Significant accounting policies (continued)

(i) Cash flow hedges

Where a derivative financial instrument is designated as a hedge of the variability in cash flows of a recognised asset or liability or a highly probable forecast transaction or the foreign currency risk of a committed future transaction, the effective portion of any gain or loss on re-measurement of the derivative financial instrument to fair value are recognised in other comprehensive income and accumulated separately in equity in the hedging reserve. The ineffective portion of any gain or loss is recognised immediately in profit or loss.

If a hedge of a forecast transaction subsequently results in the recognition of a non-financial asset or non-financial liability, the associated gain or loss is reclassified from equity to be included in the initial cost or other carrying amount of the non-financial asset or liability.

If a hedge of a forecast transaction subsequently results in the recognition of a financial asset or a financial liability, the associated gain or loss is reclassified from equity to profit or loss in the same period or periods during which the financial asset acquired or financial liability assumed affects profit or loss (such as when interest income or expense is recognised).

For cash flow hedges other than those covered by the preceding two policy statements, the associated gain or loss is reclassified from equity to profit or loss in the same period or periods during which the hedged forecast transaction affects profit or loss.

When a hedging instrument expires or is sold, terminated or exercised, or the entity revokes designation of the hedge relationship but the hedged forecast transaction is still expected to occur, the cumulative gain or loss at that point remains in equity until the transaction occurs and it is recognised in accordance with the above policy. If the hedged transaction is no longer expected to take place, the cumulative unrealised gain or loss is reclassified from equity to profit or loss immediately.

(j) Fixed assets

(i) Investment properties and investment properties under development

Investment properties are land and/or buildings which are owned or held under a leasehold interest (see note 2(m)(i)) to earn rental income and/or for capital appreciation. These include land held for a currently undetermined future use and property that is being constructed or developed for future use as investment property.

Investment properties are stated at fair value, unless they are still in the course of construction or development at the balance sheet date and their fair value cannot be reliably measured at that time. Any gain or loss arising from a change in fair value or from the retirement or disposal of an investment property is recognised in profit or loss. Rental income from investment properties is accounted for as described in note 2(x)(ii).

When the Group holds a property interest under an operating lease to earn rental income and/or for capital appreciation, the interest is classified and accounted for as an investment property on a property-by-property basis. Any such property interest which has been classified as an investment property is accounted for as if it were held under a finance lease (see note 2(m)(i)), and the same accounting policies are applied to that interest as are applied to other investment properties leased under finance leases. Lease payments are accounted for as described in note 2(m).

2 Significant accounting policies (continued)

(j) Fixed assets (continued)

(ii) Other property, plant and equipment

The following items of property, plant and equipment are stated at cost less accumulated depreciation (see note 2(k)) and impairment losses (see note 2(n)):

– hotel properties;

– other land and buildings; and

– other items of plant and equipment.

The cost of self-constructed items of property, plant and equipment includes the costs of materials and direct labour, the initial estimate, where relevant, of the costs of dismantling and removing the items and restoring the site on which they are located, and an appropriate proportion of production overheads and borrowing costs capitalised (see note 2(z)).

Gains or losses arising from the retirement or disposal of an item of property, plant and equipment are determined as the difference between the net disposal proceeds and the carrying amount of the item and are recognised in profit or loss on the date of retirement or disposal. Any related revaluation surplus is transferred from the property revaluation reserve to retained profits and is not reclassified to profit or loss.

(k) Depreciation of fixed assets

(i) Investment properties and investment properties under development

No depreciation is provided on investment properties and investment properties under development.

(ii) Hotel properties, leasehold land classified as being held for own use under finance leases, and other land and buildings

Depreciation is provided on the cost of the leasehold land of properties over the unexpired terms of the leases. Cost of buildings thereon are depreciated on a straight-line basis over the unexpired terms of the respective leases or 40 years if shorter.

(iii) Properties under development for own use

No depreciation is provided until such time the relevant assets are completed and ready for use.

(iv) Other property, plant and equipment

Depreciation is calculated to write off the cost of items of property, plant and equipment, less their estimated residual value, if any, using the straight-line method over their estimated useful lives as follows:

–	Leasehold improvements, furniture and fixtures	5 years
–	Others	2 to 10 years

Where parts of an item of property, plant and equipment have different useful lives, the cost of the item is allocated on a reasonable basis between the parts and each part is depreciated separately. Both the useful life of an asset and its residual value, if any, are reviewed annually.

2 Significant accounting policies (continued)

(l) Intangible operating right

Intangible operating right is stated at cost less accumulated amortisation and impairment losses (see note 2(n)).

Amortisation is provided to write off the cost of toll bridge operating right using the straight-line method over its remaining life.

Intangible operating right is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Gains or losses arising from derecognition of an intangible operating right are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in profit or loss when the asset is derecognised.

(m) Leased assets

An arrangement, comprising a transaction or a series of transactions, is or contains a lease if the Group determines that the arrangement conveys a right to use a specific asset or assets for an agreed period of time in return for a payment or a series of payments. Such a determination is made based on an evaluation of the substance of the arrangement and is regardless of whether the arrangement takes the legal form of a lease.

(i) Classification of assets leased to the Group

Assets that are held by the Group under leases which transfer to the Group substantially all the risks and rewards of ownership are classified as being held under finance leases. Leases which do not transfer substantially all the risks and rewards of ownership to the Group are classified as operating leases, with the following exceptions:

– property held under operating leases that would otherwise meet the definition of an investment property is classified as an investment property on a property-by-property basis and, if classified as investment property, is accounted for as if it were held under a finance lease (see note 2(j)(i)); and

– land held for own use under an operating lease, the fair value of which cannot be measured separately from the fair value of a building situated thereon at the inception of the lease, is accounted for as being held under a finance lease, unless the building is also clearly held under an operating lease. For these purposes, the inception of the lease is the time that the lease was first entered into by the Group, or taken over from the previous lessee, or at the date of construction of those buildings, if later.

(ii) Operating lease charges

Where the Group has the use of assets under operating leases, payments made under the leases are charged to profit or loss in equal instalments over the accounting periods covered by the lease term, except where an alternative basis is more representative of the pattern of benefits to be derived from the leased asset. Lease incentives received are recognised in profit or loss as an integral part of the aggregate net lease payments made. Contingent rentals are charged to profit or loss in the accounting period in which they are incurred.

The cost of acquiring land under an operating lease is amortised on a straight-line basis over the period of the lease term except where the property is classified as an investment property (see note 2(j)(i)) or is held for development for sale (see note 2(o)(ii)).

2 Significant accounting policies (continued)

(n) Impairment of assets

(i) Impairment of investments in equity securities and other receivables

Investments in equity securities and other current and non-current receivables that are stated at cost or amortised cost or are classified as available-for-sale equity securities are reviewed at each balance sheet date to determine whether there is objective evidence of impairment. Objective evidence of impairment includes observable data that comes to the attention of the Group about one or more of the following loss events:

– significant financial difficulty of the debtor;

– a breach of contract, such as a default or delinquency in interest or principal payments;

– it becoming probable that the debtor will enter bankruptcy or other financial reorganisation;

– significant changes in the technological, market, economic or legal environment that have an adverse effect on the debtor; and

– a significant or prolonged decline in the fair value of an investment in an equity instrument below its cost.

If any such evidence exists, any impairment loss is determined and recognised as follows:

– For investments in subsidiaries, and investments in associates and joint ventures accounted for under the equity method in the consolidated accounts (see note 2(e)), the impairment loss is measured by comparing the recoverable amount of the investment with its carrying amount in accordance with note 2(n)(ii). The impairment loss is reversed if there has been a favourable change in the estimates used to determine the recoverable amount in accordance with note 2(n)(ii).

– For unquoted equity securities carried at cost, the impairment loss is measured as the difference between the carrying amount of the financial asset and the estimated future cash flows, discounted at the current market rate of return for a similar financial asset where the effect of discounting is material. Impairment losses for equity securities carried at cost are not reversed.

– For trade and other current receivables and other financial assets carried at amortised cost, the impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition of these assets), where the effect of discounting is material. This assessment is made collectively where these financial assets share similar risk characteristics, such as similar past due status, and have not been individually assessed as impaired. Future cash flows for financial assets which are assessed for impairment collectively are based on historical loss experience for assets with credit risk characteristics similar to the collective group.

2 Significant accounting policies (continued)

(n) Impairment of assets (continued)

(i) Impairment of investments in equity securities and other receivables (continued)

If in a subsequent period the amount of an impairment loss decreases and the decrease can be linked objectively to an event occurring after the impairment loss was recognised, the impairment loss is reversed through profit or loss. A reversal of an impairment loss shall not result in the asset's carrying amount exceeding that which would have been determined had no impairment loss been recognised in prior years.

– For available-for-sale equity securities, the cumulative loss that has been recognised in the fair value reserve is reclassified to profit or loss. The amount of the cumulative loss that is recognised in profit or loss is the difference between the acquisition cost and current fair value, less any impairment loss on that asset previously recognised in profit or loss.

Impairment losses recognised in profit or loss in respect of available-for-sale equity securities are not reversed through profit or loss. Any subsequent increase in the fair value of such assets is recognised in other comprehensive income.

Impairment losses are written off against the corresponding assets directly, except for impairment losses recognised in respect of trade debtors included within trade and other receivables, whose recovery is considered doubtful but not remote. In this case, the impairment losses for doubtful debts are recorded using an allowance account. When the Group is satisfied that recovery is remote, the amount considered irrecoverable is written off against trade debtors directly and any amounts held in the allowance account relating to that debt are reversed. Subsequent recoveries of amounts previously charged to the allowance account are reversed against the allowance account. Other changes in the allowance account and subsequent recoveries of amounts previously written off directly are recognised in profit or loss.

(ii) Impairment of other assets

Internal and external sources of information are reviewed at each balance sheet date to identify indications that the following assets may be impaired or, except in the case of goodwill, an impairment loss previously recognised no longer exists or may have decreased:

– fixed assets (other than properties carried at revalued amounts);

– pre-paid interests in leasehold land classified as being held for own use under a finance lease;

– intangible operating right;

– goodwill; and

– investments in subsidiaries, associates and joint ventures in the Company's balance sheet.

If any such indication exists, the asset's recoverable amount is estimated. In addition, the recoverable amount of goodwill is estimated annually whether or not there is any indication of impairment.

2 Significant accounting policies (continued)

(n) Impairment of assets (continued)

(ii) Impairment of other assets (continued)

– Calculation of recoverable amount

The recoverable amount of an asset is the greater of its fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Where an asset does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the smallest group of assets that generates cash inflows independently (i.e. a cash-generating unit).

– Recognition of impairment losses

An impairment loss is recognised in profit or loss if the carrying amount of an asset, or the cash-generating unit to which it belongs, exceeds its recoverable amount. Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the cash-generating unit (or group of units) and then to reduce the carrying amount of the other assets in the unit (or group of units) on a pro rata basis, except that the carrying value of an asset will not be reduced below its individual fair value less costs of disposal (if measureable), or value in use (if determinable).

– Reversals of impairment losses

In respect of assets other than goodwill, an impairment loss is reversed if there has been a favourable change in the estimates used to determine the recoverable amount. An impairment loss in respect of goodwill is not reversed.

A reversal of an impairment loss is limited to the asset’s carrying amount that would have been determined had no impairment loss been recognised in prior years. Reversals of impairment losses are credited to profit or loss in the year in which the reversals are recognised.

(iii) Interim financial reporting and impairment

Under the Listing Rules, the Group is required to prepare an interim financial report in compliance with HKAS 34, *Interim financial reporting*, in respect of the first six months of the financial year. At the end of the aforementioned interim period, the Group applies the same impairment testing, recognition and reversal criteria (see notes 2(n)(i) and (ii)) as it would at the end of the financial year.

Impairment losses recognised in an interim period in respect of goodwill, available-for-sale equity securities and unquoted equity securities carried at cost are not reversed in a subsequent period. This is the case even if no loss, or a smaller loss, would have been recognised had the impairment been assessed only at the end of the financial year to which such interim period relates. Consequently, if the fair value of an available-for-sale equity security increases in the remainder of the annual period, or in any other period subsequently, the increase is recognised in other comprehensive income and not profit or loss.

2 Significant accounting policies (continued)

(o) Inventories

Inventories are carried at the lower of cost and net realisable value. Cost and net realisable value are determined as follows:

(i) *Leasehold land held for development for sale*

The cost of leasehold land, which is held for development for sale, represents the cost of acquisition and the premium, if any, payable to the relevant government authorities. Net realisable value is determined by reference to management estimates based on prevailing market conditions.

(ii) *Properties held for/under development for sale*

The cost of properties held for/under development for sale comprises specifically identified cost, including the acquisition cost of land, aggregate cost of development, materials and supplies, wages and other direct expenses, and an appropriate proportion of overheads and borrowing costs capitalised (see note 2(z)). Net realisable value represents the estimated selling price, based on prevailing market conditions, less estimated costs of completion and costs to be incurred in selling the property.

(iii) *Completed properties for sale*

Cost is determined by apportionment of the total land and development costs for that development project, attributable to the unsold properties. Net realisable value represents the estimated selling price, based on prevailing market conditions, less estimated costs to be incurred in selling the property.

(iv) *Retail, catering stocks and trading goods*

Cost is calculated using the weighted average cost formula and comprises all costs of purchase. Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs necessary to make the sale.

When inventories are sold, the carrying amount of those inventories is recognised as an expense in the period in which the related revenue is recognised. The amount of any write-down of inventories to net realisable value and all losses of inventories are recognised as an expense in the period in which the write-down or loss occurs. The amount of any reversal of any write-down of inventories is recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

2 Significant accounting policies (continued)

(p) Construction contracts

Construction contracts are contracts specifically negotiated with a customer for the construction of an asset or a group of assets, where the customer is able to specify the major structural elements of the design. The accounting policy for contract revenue is set out in note 2(x)(iv). When the outcome of a construction contract can be estimated reliably, contract costs are recognised as an expense by reference to the stage of completion of the contract at the balance sheet date. When it is probable that total contract costs will exceed total contract revenue, the expected loss is recognised as an expense immediately. When the outcome of a construction contract cannot be estimated reliably, contract costs are recognised as an expense in the period in which they are incurred, and revenue is recognised only to the extent of contract costs incurred that it is probable for such costs to be recoverable.

Construction contracts in progress at the balance sheet date are recorded at the net amount of costs incurred plus recognised profits less recognised losses and progress billings, and are presented in the balance sheet as the "Gross amount due from customers for contract work" (as an asset) or the "Gross amount due to customers for contract work" (as a liability), as applicable. Progress billings not yet paid by the customers are included under "Debtors, prepayments and deposits".

(q) Trade and other receivables

Trade and other receivables are initially recognised at fair value and thereafter stated at amortised cost using the effective interest method, less allowance for impairment of doubtful debts (see note 2(n)(i)), except where the receivables are interest-free loans made to related parties without any fixed repayment terms or the effect of discounting would be immaterial. In such cases, the receivables are stated at cost less allowance for impairment of doubtful debts (see note 2(n)(i)).

(r) Interest-bearing borrowings

Interest-bearing borrowings are recognised initially at fair value less attributable transaction costs. Subsequent to initial recognition, interest-bearing borrowings are stated at amortised cost with any difference between the amount initially recognised and redemption value being recognised in profit or loss over the period of the borrowings, together with any interest and fees payable, using the effective interest method.

(s) Trade and other payables

Trade and other payables are initially recognised at fair value. Except for financial guarantee liabilities measured in accordance with note 2(w)(i), trade and other payables are subsequently stated at amortised cost unless the effect of discounting would be immaterial, in which case they are stated at cost.

(t) Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and in hand, demand deposits with banks and other financial institutions, and short-term, highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value, having been within three months of maturity at acquisition. Bank overdrafts that are repayable on demand and form an integral part of the Group's cash management are also included as a component of cash and cash equivalents for the purpose of the consolidated cash flow statement.

(u) Employee benefits

Salaries, annual bonuses, paid annual leave, contributions to defined contribution retirement plans and the cost of non-monetary benefits are accrued in the year in which the associated services are rendered by employees. Where payment or settlement is deferred and the effect would be material, these amounts are stated at their present values.

2 Significant accounting policies (continued)

(v) Income tax

Income tax for the year comprises current tax and movements in deferred tax assets and liabilities. Current tax and movements in deferred tax assets and liabilities are recognised in profit or loss except to the extent that they relate to items recognised in other comprehensive income or directly in equity, in which case the relevant amounts of tax are recognised in other comprehensive income or directly in equity, respectively.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

Deferred tax assets and liabilities arise from deductible and taxable temporary differences respectively, being the differences between the carrying amounts of assets and liabilities for financial reporting purposes and their tax bases. Deferred tax assets also arise from unused tax losses and unused tax credits.

Apart from certain limited exceptions, all deferred tax liabilities, and all deferred tax assets to the extent that it is probable that future taxable profits will be available against which the asset can be utilised, are recognised. Future taxable profits that may support the recognition of deferred tax assets arising from deductible temporary differences include those that will arise from the reversal of existing taxable temporary differences, provided those differences relate to the same taxation authority and the same taxable entity, and are expected to reverse either in the same period as the expected reversal of the deductible temporary difference or in periods into which a tax loss arising from the deferred tax asset can be carried back or forward. The same criteria are adopted when determining whether existing taxable temporary differences support the recognition of deferred tax assets arising from unused tax losses and credits, that is, those differences are taken into account if they relate to the same taxation authority and the same taxable entity, and are expected to reverse in a period, or periods, in which the tax loss or credit can be utilised.

The limited exceptions to recognition of deferred tax assets and liabilities are those temporary differences arising from goodwill not deductible for tax purposes, the initial recognition of assets or liabilities that affect neither accounting nor taxable profit (provided they are not part of a business combination), and temporary differences relating to investments in subsidiaries to the extent that, in the case of taxable differences, the Group controls the timing of the reversal and it is probable that the differences will not reverse in the foreseeable future, or in the case of deductible differences, unless it is probable that they will reverse in the future.

Where investment properties are carried at their fair value in accordance with the accounting policy set out in note 2(j)(i), the amount of deferred tax recognised is measured using the tax rates that would apply on the sale of those assets at their carrying value at the balance sheet date unless the property is depreciable and is held within a business model whose objective is to consume substantially all of the economic benefits embodied in the property over time, rather than through sale. In all other cases, the amount of deferred tax recognised is measured based on the expected manner of realisation or settlement of the carrying amount of the assets and liabilities, using tax rates enacted or substantively enacted at the balance sheet date. Deferred tax assets and liabilities are not discounted.

The carrying amount of a deferred tax asset is reviewed at each balance sheet date and is reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow the related tax benefit to be utilised. Any such reduction is reversed to the extent that it becomes probable that sufficient taxable profits will be available.

2 Significant accounting policies (continued)

(v) Income tax (continued)

Additional income taxes that arise from the distribution of dividends are recognised when the liability to pay the related dividends is recognised.

Current tax balances and deferred tax balances, and movements therein, are presented separately from each other and are not offset. Current tax assets are offset against current tax liabilities, and deferred tax assets against deferred tax liabilities, if the Group has the legally enforceable right to set off current tax assets against current tax liabilities and the following additional conditions are met:

– in the case of current tax assets and liabilities, the Group intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously; or

– in the case of deferred tax assets and liabilities, if they relate to income taxes levied by the same taxation authority on either:

  – the same taxable entity; or

  – different taxable entities, which, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or realised, intend to realise the current tax assets and settle the current tax liabilities on a net basis or realise and settle simultaneously.

(w) Financial guarantees issued, provisions and contingent liabilities

(i) Financial guarantees issued

Financial guarantees are contracts that require the issuer (i.e. the guarantor) to make specified payments to reimburse the beneficiary of the guarantee (the "holder") for a loss the holder incurs because a specified debtor fails to make payment when due in accordance with the terms of a debt instrument.

Where the Group issues a financial guarantee, the fair value of the guarantee is initially recognised as deferred income within trade and other payables. The fair value of financial guarantees issued at the time of issuance is determined by reference to fees charged in an arm's length transaction for similar services, when such information is obtainable, or is otherwise estimated by reference to interest rate differentials, by comparing the actual rates charged by lenders when the guarantee is made available with the estimated rates that lenders would have charged, had the guarantees not been available, where reliable estimates of such information can be made. Where consideration is received or receivable for the issuance of the guarantee, the consideration is recognised in accordance with the Group's policies applicable to that category of asset. Where no such consideration is received or receivable, an immediate expense is recognised in profit or loss on initial recognition of any deferred income.

The amount of the guarantee initially recognised as deferred income is amortised in profit or loss over the term of the guarantee as income from financial guarantees issued. In addition, provisions are recognised in accordance with note 2(w)(ii) if and when (i) it becomes probable that the holder of the guarantee will call upon the Group under the guarantee; and (ii) the amount of that claim on the Group is expected to exceed the amount currently carried in trade and other payables in respect of that guarantee, i.e. the amount initially recognised less accumulated amortisation.

2 Significant accounting policies (continued)

(w) Financial guarantees issued, provisions and contingent liabilities (continued)

(ii) Other provisions and contingent liabilities

Provisions are recognised for other liabilities of uncertain timing or amount when the Group or the Company has a legal or constructive obligation arising as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made. Where the time value of money is material, provisions are stated at the present value of the expenditure expected to settle the obligation.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events, are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

(x) Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable. Provided it is probable that the economic benefits will flow to the Group and the revenue and costs, if applicable, can be measured reliably, revenue is recognised in profit or loss as follows:

(i) Sale of properties

Revenue arising from the sale of properties held for sale is recognised upon the later of the signing of the sale and purchase agreement and the issue of an occupation permit/a completion certificate by the relevant government authorities, which is taken to be the point in time when the risks and rewards of ownership of the property have passed to the buyer. Deposits and instalments received on properties sold prior to the date of revenue recognition are included in the balance sheet under forward sales deposits received.

(ii) Rental income from operating leases

Rental income receivable under operating leases is recognised in profit or loss in equal instalments over the accounting periods covered by the lease term, except where an alternative basis is more representative of the pattern of benefits to be derived from the use of the leased asset. Lease incentives granted are recognised in profit or loss as an integral part of the aggregate net lease payments receivable. Contingent rentals are recognised as income in the accounting period in which they are earned.

(iii) Interest income

Interest income is recognised as it accrues using the effective interest method.

(iv) Contract revenue

When the outcome of a construction contract can be estimated reliably:

– revenue from a fixed price contract is recognised using the percentage of completion method, measured by reference to the percentage of contract costs incurred to date to the estimated total contract costs for the contract; and

– revenue from a cost plus contract is recognised by reference to the recoverable costs incurred during the period plus an appropriate proportion of the total fee, measured by reference to the proportion that the costs incurred to date bear to the estimated total costs of the contract.

2 Significant accounting policies (continued)

(x) Revenue recognition (continued)

(iv) Contract revenue (continued)

When the outcome of a construction contract cannot be estimated reliably, revenue is recognised only to the extent of contract costs incurred that it is probable for such costs to be recoverable.

(v) Toll fee income

Toll fee income is recognised when services are provided and the amount of revenue can be reliably measured, and when it is probable that future economic benefits will flow to the Group.

(vi) Hotel operation

Income from hotel operation is recognised when services are provided.

(vii) Sale of goods

Revenue arising from the sale of goods from department store operation is recognised when goods are delivered which is taken to be the point in time when the customer has accepted the goods and the related risks and rewards of ownership. Revenue is recognised after deduction of any trade discounts.

(viii) Dividends

– Dividend income from unlisted investments is recognised when the shareholder's right to receive payment is established.

– Dividend income from listed investments is recognised when the share price of the investment goes ex-dividend.

(y) Translation of foreign currencies

Foreign currency transactions during the year are translated at the foreign exchange rates ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies are translated at the foreign exchange rates ruling at the balance sheet date. Exchange gains and losses are recognised in profit or loss.

Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the foreign exchange rates ruling at the transaction dates. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are translated using the foreign exchange rates ruling at the dates the fair value was measured.

The results of foreign operations are translated into Hong Kong dollars at the exchange rates approximating the foreign exchange rates ruling at the dates of the transactions. Balance sheet items, including goodwill arising on consolidation of foreign operations acquired on or after 1 July 2005, are translated into Hong Kong dollars at the closing foreign exchange rates ruling at the balance sheet date. The resulting exchange differences are recognised in other comprehensive income and accumulated separately in equity in the exchange reserve. Goodwill arising on consolidation of foreign operations acquired before 1 July 2005 is translated into Hong Kong dollars at the foreign exchange rates that applied at the dates of acquisition of the foreign operations.

On disposal of a foreign operation, the cumulative amount of the exchange differences relating to that foreign operation is reclassified from equity to profit or loss when the profit or loss on disposal is recognised.

2 Significant accounting policies (continued)

(z) Borrowing costs

Borrowing costs that are directly attributable to the construction of an asset which necessarily takes a substantial period of time to get ready for its intended use or sale are capitalised as part of the cost of that asset. Other borrowing costs are expensed in the period in which they are incurred.

The capitalisation of borrowing costs as part of the cost of a qualifying asset commences when expenditure for the asset is being incurred, borrowing costs are being incurred and activities that are necessary to prepare the asset for its intended use or sale are in progress. Capitalisation of borrowing costs is suspended or ceases when substantially all the activities necessary to prepare the qualifying asset for its intended use or sale are interrupted or complete.

(aa) Related parties

(a) A person, or a close member of that person's family, is related to the Group if that person:

(i) has control or joint control over the Group;

(ii) has significant influence over the Group; or

(iii) is a member of the key management personnel of the Group or the Group's parent.

(b) An entity is related to the Group if any of the following conditions applies:

(i) The entity and the Group are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).

(ii) One entity is an associate or a joint venture of the other entity (or an associate or a joint venture of a member of a group of which the other entity is a member).

(iii) Both entities are joint ventures of the same third party.

(iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.

(v) The entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group.

(vi) The entity is controlled or jointly controlled by a person identified in (a) above.

(vii) A person identified in (a)(i) above has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

Close family members of a person are those family members who may be expected to influence, or be influenced by, that person in their dealings with the entity.

(ab) Segment reporting

Operating segments, and the amounts of each segment item reported in the accounts, are identified from the financial information provided regularly to the Group's most senior executive management for the purposes of allocating resources to, and assessing the performance of, the Group's various lines of business and geographical locations.

2 Significant accounting policies (continued)

(ab) Segment reporting (continued)

Individually material operating segments are not aggregated for financial reporting purposes unless the segments have similar economic characteristics and are similar in respect of the nature of products and services, the nature of production processes, the type or class of customers, the methods used to distribute the products or provide the services, and the nature of the regulatory environment. Operating segments which are not individually material may be aggregated if they share a majority of these criteria.

3 Accounting estimates and judgements

The key sources of estimation uncertainty and critical accounting judgements in applying the Group's accounting policies are described below.

(a) Valuation of investment properties and investment properties under development

As described in note 17, investment properties and investment properties under development are stated at fair value based on the valuation performed by an independent firm of professional surveyors.

In determining the fair value of investment properties, the valuers have based on a method of valuation which involves, inter alia, certain estimates including current market rents for similar properties in the same location and condition, appropriate discount rates and expected future market rents. In relying on the valuation report, management has exercised their judgement and are satisfied that the method of valuation is reflective of the current market conditions.

Investment properties under development are valued by estimating the fair value of such properties as if they were completed in accordance with the relevant development plan and then deducting from that amount the estimated costs to complete the construction, financing costs and a reasonable profit margin.

(b) Impairment of non-current assets

If circumstances indicate that the carrying amounts of fixed assets (other than investment properties and investment properties under development) and intangible operating right may not be recoverable, the assets may be considered impaired and are tested for impairment. An impairment loss is recognised when the asset's recoverable amount has declined below its carrying amount. The recoverable amount is the greater of the fair value less costs of disposal and value in use. In determining the recoverable amount which requires significant judgements, the Group estimates the future cash flows to be derived from continuing use and ultimate disposal of the asset and applies an appropriate discount rate to these future cash flows.

(c) Write-down of inventories for property development

Management performs a regular review on the carrying amounts of inventories for property development. Based on management's review, write-down of inventories for property development will be made when the estimated net realisable value has declined below the carrying amount.

In determining the net realisable value of completed properties for sale, management refers to prevailing market data such as recent sales transactions, market survey reports available from independent property surveyors and internally available information, as bases for evaluation.

In respect of leasehold land held for development for sale and properties held for/under development for sale, the estimate of net realisable value requires the application of a risk-adjusted discount rate to the estimated future cash flows to be derived from these properties. These estimates require judgement as to the anticipated selling prices by reference to recent sales transactions in nearby locations, rate of new property sales, marketing costs (including price discounts required to stimulate sales) and the estimated costs to completion of properties, the legal and regulatory framework and general market conditions.

3 Accounting estimates and judgements (continued)

(d) Recognition of deferred tax assets

At 31 December 2013, the Group has recognised deferred tax assets in relation to the unused tax losses as set out in note 11(c). The realisability of deferred tax assets mainly depends on whether it is probable that future taxable profits will be available against which related tax benefits under the deferred tax assets can be utilised. In cases where the actual future taxable profits generated are less than expected, a reversal of deferred tax assets may arise, which will be recognised in profit or loss for the period in which such a reversal takes place.

4 Financial risk management and fair values of financial instruments

Financial risk management

Exposure to credit, liquidity, interest rate and foreign currency arises in the normal course of the Group's business. The Group is also exposed to equity price risk arising from its equity investments in other entities. The Group's exposure to these risks and the financial risk management policies and practices used by the Group to manage these risks are described below.

(a) Credit risk

The Group's credit risk is primarily attributable to bank deposits, derivative financial instruments entered into for hedging purposes as well as instalments, rental and other trade receivables. Management has a credit policy in place and the exposures to these credit risks are monitored on an ongoing basis.

Cash is deposited with financial institutions with sound credit ratings and the Group has exposure limit to any single financial institution. Transactions involving derivative financial instruments are also executed with counterparties of sound credit standing. Given their high credit ratings, management does not expect any of these financial institutions will fail to meet their obligations.

Regular review and follow-up actions are carried out on overdue amounts of instalments receivable from sale of properties which enable management to assess their recoverability and to minimise the exposure to credit risk. In respect of rental income from leasing properties, monthly rents are received in advance and sufficient rental deposits are held to cover potential exposure to credit risk. Regarding toll fee income receivable from the toll bridge located in Hangzhou, Zhejiang Province, mainland China, the amount is collected on behalf of the Group by 杭州市城市"四自"工程道路綜合收費管理處 (Hangzhou City "Sizi" Engineering & Highway General Toll Fee Administration Office) (the "Hangzhou Toll Office"), which is the relevant government body in Hangzhou, mainland China to record the traffic flow and make payment of the toll fee of the toll bridge, pursuant to the terms of an agreement dated 5 February 2004 (the "Collection Agreement") entered into between the Group and the Hangzhou Toll Office, and further developments of which are referred to in note 18 to these accounts. For other trade receivables, credit terms given to customers are generally based on the financial strength and repayment history of each customer. As such, the Group does not obtain collateral from its customers. An ageing analysis of the receivables is prepared on a regular basis and is closely monitored to minimise any credit risk associated with the receivables. Adequate allowance for impairment losses have been made for estimated irrecoverable amounts.

The Group has no concentrations of credit risk in view of its large number of customers. The maximum exposure to credit risk is represented by the carrying amount of each financial asset in the balance sheets. Except for the financial guarantees given by the Group and the Company as disclosed in note 38 to these accounts, the Group does not provide any other guarantee which would expose the Group or the Company to credit risk.

Further quantitative disclosures in respect of the Group's exposure to credit risk arising from trade and other receivables are set out in note 26 to these accounts.

4 Financial risk management and fair values of financial instruments (continued)

Financial risk management (continued)

(b) Liquidity risk

The treasury function of the Group is arranged centrally to cover expected cash demands. The Group's policy is to regularly monitor its current and expected liquidity requirements and its compliance with lending covenants, to ensure that it maintains sufficient reserves of cash and adequate committed lines of funding from major financial institutions to meet its liquidity requirements in the short and longer term.

Given the amount due to a fellow subsidiary classified as non-current liability (see note 32), amounts due to subsidiaries (see note 19), amounts due to associates and amounts due to joint ventures (see note 29) have no fixed terms of repayment, it is not practical to disclose their remaining contractual maturities at the balance sheet date. Except for these, the following tables show the remaining contractual maturities at the balance sheet date of the Group's and the Company's non-derivative financial liabilities and derivative financial liabilities, which are based on contractual undiscounted cash flows (including interest payments computed using contractual rates or, if floating, based on rates current at the balance sheet date) and the earliest date the Group and the Company can be required to pay:

The Group

	2013 Contractual undiscounted cash outflow						2012 Contractual undiscounted cash outflow					
	Within 1 year or on demand HK$ million	More than 1 year but less than 2 years HK$ million	More than 2 years but less than 5 years HK$ million	More than 5 years HK$ million	Total HK$ million	Carrying amount HK$ million	Within 1 year or on demand HK$ million	More than 1 year but less than 2 years HK$ million	More than 2 years but less than 5 years HK$ million	More than 5 years HK$ million	Total HK$ million	Carrying amount HK$ million
Bank loans and overdrafts	5,891	12,878	9,883	943	29,595	28,572	3,288	4,399	15,775	1,700	25,162	23,317
Guaranteed notes	2,741	792	11,061	7,536	22,130	18,213	886	2,745	10,305	9,200	23,136	18,301
Creditors and accrued expenses	7,846	1	26	–	7,873	7,870	6,033	–	–	–	6,033	6,033
Rental and other deposits	508	494	174	22	1,198	1,198	572	379	255	24	1,230	1,230
Amount due to a fellow subsidiary	1,290	–	–	–	1,290	1,261	563	–	–	–	563	546
	18,276	14,165	21,144	8,501	62,086	57,114	11,342	7,523	26,335	10,924	56,124	49,427

	2013 Contractual undiscounted cash inflow/(outflow)					2012 Contractual undiscounted cash inflow/(outflow)				
	Within 1 year or on demand HK$ million	More than 1 year but less than 2 years HK$ million	More than 2 years but less than 5 years HK$ million	More than 5 years HK$ million	Total HK$ million	Within 1 year or on demand HK$ million	More than 1 year but less than 2 years HK$ million	More than 2 years but less than 5 years HK$ million	More than 5 years HK$ million	Total HK$ million
Derivative settled net:										
Interest rate swap contracts held as cash flow hedging instruments	(295)	(295)	(872)	(1,034)	(2,496)	(302)	(293)	(871)	(1,314)	(2,780)
Derivative settled gross:										
Cross currency interest rate swap contracts held as cash flow hedging instruments:										
– outflow	(1,731)	(419)	(3,698)	(6,687)	(12,535)	(1,680)	(1,733)	(2,530)	(8,280)	(14,223)
– inflow	1,721	409	3,462	6,571	12,163	1,653	1,727	2,456	8,190	14,026

4 Financial risk management and fair values of financial instruments (continued)

Financial risk management (continued)

(b) Liquidity risk (continued)

The Company

	2013 Contractual undiscounted cash outflow		2012 Contractual undiscounted cash outflow	
	Within 1 year or on demand HK$ million	Carrying amount HK$ million	Within 1 year or on demand HK$ million	Carrying amount HK$ million
Creditors and accrued expenses	**19**	**19**	15	15
Financial guarantees issued:				
Maximum amount guaranteed (note 38)	**47,657**	**–**	42,786	–

(c) Interest rate risk

The Group is exposed to interest rate risk through the impact of rates changes on interest-bearing borrowings which predominantly bear floating interest rates. The Group monitors closely its interest rate exposure and the level of fixed rate and floating rate borrowings and considers hedging significant interest rate exposure should the need arise. The Group's interest rate profile as monitored by management is set out in (ii) below.

(i) Hedging

Cross currency interest rate swap contracts have been entered into with certain counterparty banks to enable the Group to secure a fixed interest rate level in relation to the Hong Kong dollar funding resulting from the conversion of the principal amounts of the guaranteed notes (see note 31) and the bank borrowings denominated in United States dollars ("US$") and Japanese Yen ("¥") into Hong Kong dollars. As a result, the Group hedges against the interest rate risk which may arise during the periods (i) between the issuance date and the maturity date in respect of the entire amount of each tranche of the guaranteed notes due 2014-2022 denominated in United States dollars and Pound Sterling ("£") with aggregate principal amounts of US$325 million and £50 million at 31 December 2013 (2012: US$325 million and £50 million); (ii) between the issuance date and the maturity date in respect of the entire amount of the guaranteed notes due 2019 denominated in United States dollars with aggregate principal amount of US$500 million at 31 December 2013 (2012: US$500 million); (iii) between the issuance date and the maturity date in respect of the entire amount of the guaranteed notes issued pursuant to the Medium Term Note Programme established by the Group on 30 August 2011 denominated in United States dollars and Singapore dollars ("S$") with aggregate principal amounts of US$10 million and S$200 million at 31 December 2013 (2012: US$10 million and S$200 million); and (iv) between the drawdown dates and the repayment dates in respect of the entire amount of the bank borrowings denominated in United States dollars and Japanese Yen with aggregate amounts of US$Nil and ¥10,000 million at 31 December 2013 (2012: US$148 million and ¥10,000 million).

4 Financial risk management and fair values of financial instruments (continued)

Financial risk management (continued)

(c) Interest rate risk (continued)

(i) Hedging (continued)

Interest rate swap contracts have also been entered into with certain counterparty banks to hedge against the interest rate risk which may arise during the periods between the drawdown dates and the repayment dates in respect of certain bank borrowings which bear floating interest rates denominated in Hong Kong dollars with an aggregate amount of HK$12,000 million at 31 December 2013 (2012: HK$13,000 million).

These cross currency interest rate swap contracts and interest rate swap contracts were designated as cash flow hedges of the interest rate risk and foreign currency risk in relation to these guaranteed notes and bank borrowings.

The swap contracts will mature between 25 July 2014 and 20 October 2026 (2012: 18 September 2013 and 20 October 2026) matching the maturity of the related guaranteed notes and the repayment dates of the bank borrowings and have fixed swap interest rates ranging from 1.23% to 5.735% (2012: 1.23% to 5.735%) per annum. The fair value of such swap contracts entered into by the Group at 31 December 2013 amounted to HK$447 million (2012: HK$595 million) (derivative financial assets) and HK$998 million (2012: HK$2,418 million) (derivative financial liabilities), respectively. These amounts are recognised as derivative financial instruments at 31 December 2013 and 2012 (see note 22).

(ii) Interest rate profile

The following table details the interest rate profile of the Group's bank loans and overdrafts and guaranteed notes at the balance sheet date, after taking into account the effect of swap contracts designated as cash flow hedging instruments (see (i) above).

	2013		
	Fixed/ floating	**Effective interest rate**	**Amount HK$ million**
Bank loans and overdrafts	**Floating**	**1.68%**	**15,895**
Bank loans	**Fixed**	**3.79%**	**12,677**
Guaranteed notes	**Fixed**	**4.66%**	**18,213**

	2012		
	Fixed/ floating	Effective interest rate	Amount HK$ million
Bank loans and overdrafts	Floating	2.80%	8,391
Bank loans	Fixed	3.91%	14,926
Guaranteed notes	Fixed	4.44%	18,301

4 Financial risk management and fair values of financial instruments (continued)

Financial risk management (continued)

(c) Interest rate risk (continued)

(iii) Sensitivity analysis

Assuming that the interest rates had generally increased/decreased by not more than 100 basis points (2012: 100 basis points) at 31 December 2013 and the changes had been applied to the exposure to interest rate risk for both derivative and non-derivative financial instruments in existence at that date, with all other variables held constant, the impact on the Group's profit after tax and total equity attributable to equity shareholders of the Company is not expected to be material.

The sensitivity analysis above assumes the change in interest rates had occurred at the balance sheet date and had been applied to re-measure those financial instruments held by the Group which expose the Group to interest rate risk at the balance sheet date. The analysis is performed on the same basis for 2012.

(d) Foreign currency risk

The Group owns assets and conducts its businesses primarily in Hong Kong with its cash flows substantially denominated in Hong Kong dollars. The Group reports its results in Hong Kong dollars.

The Group's primary foreign currency exposure arises from its property development and investment activities in mainland China, as the functional currency of these operations is Renminbi. Where appropriate and cost efficient, the Group seeks to finance these investments by Renminbi borrowings with reference to the future Renminbi funding requirements from the investments and the related returns to be generated therefrom.

The Group is also exposed to foreign currency risk in respect of cash deposits denominated in United States dollars, Pound Sterling, Singapore dollars, Euros and Canadian dollars. At 31 December 2013, cash deposits denominated in United States dollars amounted to US$375 million (2012: US$498 million). The Group does not expect that there will be any significant currency risk associated with such cash deposits given that the Hong Kong dollar is pegged to the United States dollar. For cash deposits denominated in Pound Sterling, Singapore dollars, Euros and Canadian dollars, since the balances are insignificant, the Group considers the exposure to foreign currency risk to be low.

(i) Hedging

The foreign currency risk attributable to the guaranteed notes denominated in United States dollars, Pound Sterling and Singapore dollars (see note 31) and the bank borrowings denominated in United States dollars and Japanese Yen are being hedged by way of the cross currency interest rate swap contracts which were entered into between the Group and certain counterparty banks, as a result of which the principal amounts of the guaranteed notes denominated in United States dollars, Pound Sterling and Singapore dollars and the bank borrowings denominated in United States dollars and Japanese Yen were converted into Hong Kong dollars, details of which are set out in note 4(c)(i).

(ii) Sensitivity analysis

Assuming that the relevant foreign currencies had strengthened/weakened by not more than 5% (2012: 5%) at 31 December 2013 and the changes had been applied to each of the Group entities' exposure to foreign currency risk for both derivative and non-derivative financial instruments denominated in a currency other than the functional currency of the entity to which they relate and in existence at that date, with all other variables held constant, the impact on the Group's profit after tax and total equity attributable to equity shareholders of the Company is not expected to be material.

4 Financial risk management and fair values of financial instruments (continued)

Financial risk management (continued)

(d) Foreign currency risk (continued)

(ii) Sensitivity analysis (continued)

The sensitivity analysis above assumes that the change in foreign exchange rates had been applied to re-measure those financial instruments held by the Group which expose the Group to foreign currency risk at the balance sheet date. The analysis is performed on the same basis for 2012.

(e) Equity price risk

The Group is exposed to equity price changes arising from equity investments classified as available-for-sale equity securities (see note 23).

Listed investments held in the available-for-sale equity securities portfolio have been chosen based on their long term growth potential and returns and are monitored regularly for performance against expectations. Assuming that the market value of the Group's listed available-for-sale equity securities had increased/decreased by not more than 10% (2012: 10%) at 31 December 2013, with all other variables held constant, the impact on the total equity attributable to equity shareholders of the Company is not expected to be material. Any increase or decrease in the market value of the Group's listed available-for-sale equity securities would not affect the Group's profit after tax unless they are impaired.

The sensitivity analysis above assumes that the changes in the stock market index or other relevant risk variables had occurred at the balance sheet date and had been applied to re-measure those financial instruments held by the Group which expose the Group to equity price risk at the balance sheet date. It is also assumed that the fair value of the Group's equity investments would change in accordance with the historical correlation with the relevant stock market index or other relevant risk variables, that none of the Group's available-for-sale equity securities would be considered impaired as a result of the decrease in the relevant stock market index or other relevant risk variables, and that all other variables remain constant. The analysis is performed on the same basis for 2012.

Fair value measurement of financial assets and liabilities

(f) Financial assets and liabilities measured at fair value

Fair value hierarchy

The following table presents the fair value of the Group's financial assets and liabilities measured at the balance sheet date on a recurring basis, categorised into the three-level fair value hierarchy as defined in HKFRS 13, *Fair value measurement*. The level into which a fair value measurement is classified is determined with reference to the observability and significance of the inputs used in the valuation technique as follows:

- Level 1 valuations: Fair value measured using only Level 1 inputs, i.e. unadjusted quoted prices in active markets for identical assets or liabilities at the measurement date.

- Level 2 valuations: Fair value measured using Level 2 inputs, i.e. observable inputs which fail to meet Level 1, and not using significant unobservable inputs. Unobservable inputs are inputs for which market data are not available.

- Level 3 valuations: Fair value measured using significant unobservable inputs.

4 Financial risk management and fair values of financial instruments (continued)

Fair value measurement of financial assets and liabilities (continued)

(f) Financial assets and liabilities measured at fair value (continued)

Fair value hierarchy (continued)

	Fair value at 31 December 2013 HK$ million	Fair value measurements at 31 December 2013 categorised into Level 1 HK$ million	Level 2 HK$ million
Recurring fair value measurement			
Financial assets:			
Available-for-sale equity securities:			
– Listed (note 23)	**1,899**	**1,899**	**–**
Derivative financial instruments:			
– Cross currency interest rate swap contracts (note 22)	**383**	**–**	**383**
– Interest rate swap contracts (note 22)	**64**	**–**	**64**
Financial liabilities:			
Derivative financial instruments:			
– Cross currency interest rate swap contracts (note 22)	**704**	**–**	**704**
– Interest rate swap contracts (note 22)	**294**	**–**	**294**

	Fair value at 31 December 2012 HK$ million	Fair value measurements at 31 December 2012 categorised into Level 1 HK$ million	Level 2 HK$ million
Recurring fair value measurement			
Financial assets:			
Available-for-sale equity securities:			
– Listed (note 23)	2,433	2,433	–
Derivative financial instruments:			
– Cross currency interest rate swap contracts (note 22)	595	–	595
Financial liabilities:			
Derivative financial instruments:			
– Cross currency interest rate swap contracts (note 22)	761	–	761
– Interest rate swap contracts (note 22)	1,657	–	1,657

During the years ended 31 December 2013 and 2012, there were no transfers between Level 1 and Level 2 or transfers into or out of Level 3. The Group's policy is to recognise transfers between levels of fair value hierarchy at the balance sheet date during which they occur.

4 Financial risk management and fair values of financial instruments (continued)

Fair value measurement of financial assets and liabilities (continued)

(f) Financial assets and liabilities measured at fair value (continued)

Valuation techniques and inputs used in Level 2 fair value measurements

The fair values of cross currency interest rate swap contracts and interest rate swap contracts are calculated as the present value of the estimated future cash flows based on the terms and maturity of each contract, taking into account current interest rates and the current creditworthiness of the swap counterparties.

(g) Financial assets and liabilities measured at other than fair value

The carrying amounts of the Group's and the Company's financial instruments measured at cost or amortised cost are not materially different from their fair values at 31 December 2013 and 2012 except as follows:

– *Amounts due from/to subsidiaries, certain amounts due from associates and joint ventures and amounts due to associates and joint ventures*

Amounts due from/to subsidiaries, certain amounts due from associates and joint ventures and all the amounts due to associates and joint ventures are unsecured, interest-free and have no fixed terms of repayment. Given these terms it is not meaningful to quantify their fair values and therefore they are stated at cost.

– *Unlisted investments*

Unlisted available-for-sale equity securities of HK$1,057 million (2012: HK$392 million) (see note 23) do not have a quoted market price in an active market and their fair values cannot be reliably measured. They are recognised at cost less impairment losses at the balance sheet date.

5 Turnover

Turnover of the Group represents revenue from the sale of properties, rental income, income from construction, infrastructure business, hotel operation and management, department store operation and management, and others mainly including income from provision of finance, investment holding, project management, property management, agency services, cleaning and security guard services, as well as the trading of building materials and disposal of leasehold land.

The major items are analysed as follows:

	2013 HK$ million	2012 HK$ million
Sale of properties	**15,743**	8,708
Rental income	**4,994**	4,494
Construction	**1,290**	761
Infrastructure	**–**	63
Hotel operation	**194**	240
Department store operation	**399**	373
Others	**669**	953
Total (note 16(b))	**23,289**	15,592

6 Other revenue

	2013 HK$ million	2012 HK$ million
Bank interest income	**308**	235
Other interest income (note)	**57**	260
Others	**157**	89
	522	584

Note: Other interest income for the years ended 31 December 2013 and 2012 included overdue interest income (before tax) of HK$47 million and HK$247 million received by the Group during the abovementioned years, respectively, in relation to a refund of land deposits to the Group during the year ended 31 December 2012.

7 Other net income

	2013 HK$ million	2012 HK$ million
Gain on disposal of subsidiaries (note 34(b))	**667**	187
Net gain/(loss) on disposal of fixed assets	**2**	(6)
Fixed assets written off	**(51)**	–
Net gain on disposal of available-for-sale equity securities	**163**	109
Impairment loss on available-for-sale equity securities	**(344)**	–
Impairment loss on trade debtors (notes 16(c) and 26(b))	**(2)**	–
Bad debts reversed/(written off)	**1**	(1)
Provision on inventories, net	**(304)**	(36)
Net foreign exchange loss	**(83)**	(168)
Others	**(41)**	(62)
	8	23

8 Profit before taxation

Profit before taxation is arrived at after charging/(crediting):

		2013 HK$ million	2012 HK$ million
(a)	**Finance costs:**		
	Bank interest	**763**	1,059
	Interest on loans wholly repayable within five years	**870**	671
	Interest on loans repayable after five years	**353**	410
	Other borrowing costs	**193**	194
		2,179	2,334
	Less: Amount capitalised (note)	**(1,222)**	(1,095)
		957	1,239

Note: The borrowing costs have been capitalised at rates ranging from 4.12% to 6.47% (2012: 3.86% to 6.78%) per annum.

8 Profit before taxation (continued)

Profit before taxation is arrived at after charging/(crediting): (continued)

		2013 HK$ million	2012 HK$ million
(b)	**Directors' remuneration**	**165**	164

Details of the directors' remuneration are set out in note 9.

		2013 HK$ million	2012 HK$ million
(c)	**Staff costs (other than directors' remuneration):**		
	Salaries, wages and other benefits	**1,692**	1,605
	Contributions to defined contribution retirement plans	**76**	73
		1,768	1,678

		2013 HK$ million	2012 HK$ million
(d)	**Other items:**		
	Depreciation (note 17(a))	**171**	181
	Less: Amount capitalised	**(5)**	(9)
		166	172
	Net foreign exchange (gain)/loss	**(95)**	128
	Cash flow hedges: net foreign exchange loss reclassified from equity	**181**	40
		86	168
	Amortisation of intangible operating right (note 18)	**31**	39
	Cost of sales		
	– completed properties for sale	**11,286**	5,455
	– trading stocks	**328**	296
	Auditors' remuneration	**21**	20
	Operating lease charges: minimum lease payments in respect of leasing of building facilities	**214**	170
	Rentals receivable from investment properties less direct outgoings of HK$1,170 million (2012: HK$1,193 million) (note)	**(3,338)**	(2,780)
	Other rental income less direct outgoings	**(332)**	(327)
	Dividend income from investments in available-for-sale equity securities		
	– listed	**(84)**	(74)
	– unlisted	**(10)**	(225)

Note: Included contingent rental income of HK$214 million (2012: HK$225 million).

9 Directors' remuneration

Directors' remuneration disclosed pursuant to the Hong Kong Companies Ordinance is as follows:

	2013				
	Directors' fees HK$ '000	Salaries, allowances and benefits in kind HK$ '000	Discretionary bonuses HK$ '000	Retirement scheme contributions HK$ '000	Total HK$ '000
Executive Directors					
Dr Lee Shau Kee	120	18,763	–	–	18,883
Lee Ka Kit	120	16,378	1,168	15	17,681
Lam Ko Yin, Colin	120	8,508	21,492	510	30,630
Lee Ka Shing	120	14,198	856	616	15,790
Yip Ying Chee, John	100	7,776	15,224	467	23,567
Suen Kwok Lam	100	5,976	6,328	359	12,763
Lee King Yue	100	3,228	269	194	3,791
Fung Lee Woon King	100	4,272	6,328	256	10,956
Lau Yum Chuen, Eddie	100	–	–	–	100
Li Ning	100	3,240	550	194	4,084
Kwok Ping Ho	193	4,140	1,210	248	5,791
Wong Ho Ming, Augustine	100	7,560	7,440	454	15,554
Non-executive Directors					
Lee Pui Ling, Angelina	150	150	–	–	300
Lee Tat Man	120	–	–	–	120
Independent non-executive Directors					
Kwong Che Keung, Gordon	220	530	–	–	750
Professor Ko Ping Keung	220	530	–	–	750
Wu King Cheong	220	530	–	–	750
Leung Hay Man	270	680	–	–	950
Woo Ka Biu, Jackson	200	–	–	–	200
Professor Poon Chung Kwong	200	100	–	–	300
Dr Chung Shui Ming, Timpson	200	100	–	–	300
Au Siu Kee, Alexander	591	–	–	–	591
Total for the year ended 31 December 2013	3,764	96,659	60,865	3,313	164,601

9 Directors' remuneration (continued)

Directors' remuneration disclosed pursuant to the Hong Kong Companies Ordinance is as follows: (continued)

	2012				
	Directors' fees HK$ '000	Salaries, allowances and benefits in kind HK$ '000	Discretionary bonuses HK$ '000	Retirement scheme contributions HK$ '000	Total HK$ '000
Executive Directors					
Dr Lee Shau Kee	95	17,994	–	–	18,089
Lee Ka Kit	95	16,797	1,118	14	18,024
Lam Ko Yin, Colin	95	8,139	21,860	488	30,582
Lee Ka Shing	95	15,876	819	590	17,380
Yip Ying Chee, John	75	7,440	20,560	446	28,521
Suen Kwok Lam	75	5,724	6,580	343	12,722
Lee King Yue	85	3,084	366	185	3,720
Fung Lee Woon King	75	4,092	4,504	246	8,917
Lau Yum Chuen, Eddie	75	–	–	–	75
Li Ning	75	3,048	862	183	4,168
Kwok Ping Ho	135	3,960	1,390	238	5,723
Wong Ho Ming, Augustine	85	7,008	5,000	420	12,513
Non-executive Directors					
Sir Po-shing Woo *	8	–	–	–	8
Lee Pui Ling, Angelina	125	150	–	–	275
Lee Tat Man	95	–	–	–	95
Independent non-executive Directors					
Kwong Che Keung, Gordon	145	505	–	–	650
Professor Ko Ping Keung	145	505	–	–	650
Wu King Cheong	145	505	–	–	650
Leung Hay Man **	178	597	–	–	775
Woo Ka Biu, Jackson *	117	–	–	–	117
Professor Poon Chung Kwong ***	33	17	–	–	50
Dr Chung Shui Ming, Timpson ****	33	17	–	–	50
Au Siu Kee, Alexander *****	329	–	–	–	329
Total for the year ended 31 December 2012	2,413	95,458	63,059	3,153	164,083

* *Sir Po-shing Woo resigned as a Non-executive Director of the Company on 29 February 2012. Accordingly, Mr Woo Ka Biu, Jackson ceased to be an alternate to Sir Po-shing Woo on the same date.*
Mr Woo Ka Biu, Jackson has been appointed as an Independent Non-executive Director of the Company with effect from 1 March 2012.

** *Re-designated from Non-executive Director to Independent Non-executive Director with effect from 22 August 2012.*

*** *Appointed as an Independent Non-executive Director of the Company with effect from 25 October 2012.*

**** *Appointed as an Independent Non-executive Director of the Company with effect from 8 November 2012.*

***** *Re-designated from Non-executive Director to Independent Non-executive Director with effect from 18 December 2012.*

There was no arrangement under which a director had waived or agreed to waive any remuneration during the current or prior year.

10 Emoluments of five highest paid individuals and senior management

(a) Emoluments of five highest paid individuals

Of the five individuals with the highest emoluments, all (2012: five) of them are directors whose emoluments are disclosed in note 9.

(b) Emoluments of senior management

Other than the emoluments of directors and five highest paid individuals disclosed in notes 9 and 10(a) respectively, the emoluments of the senior management whose profiles are set out in the section "Biographical Details of Directors and Senior Management" of the annual report for the year ended 31 December 2013 (of which these accounts form a part) fell within the following bands:

	2013 Number of individuals	2012 Number of individuals
Emolument band (HK$) (note)		
$3,000,000 or below	**2**	2
$3,000,001 to $4,000,000	**1**	1
$4,000,001 to $5,000,000	**4**	1
$5,000,001 to $6,000,000	**–**	1
$6,000,001 to $7,000,000	**2**	–
$7,000,001 to $8,000,000	**1**	2
$8,000,001 to $9,000,000	**2**	2
$9,000,001 to $10,000,000	**1**	2
$10,000,001 or above	**3**	2
	16	13

Note: Including salaries, emoluments, other allowances and benefits, discretionary bonuses and retirement scheme contributions.

11 Income tax

(a) Income tax in the consolidated statement of profit or loss represents:

	2013 HK$ million	2012 HK$ million
Current tax – Provision for Hong Kong Profits Tax		
Provision for the year	**657**	516
Under-provision in respect of prior years	**19**	1
	676	517
Current tax – Provision for taxation outside Hong Kong		
Provision for the year	**354**	191
Over-provision in respect of prior years	**(4)**	(14)
	350	177
Current tax – Provision for Land Appreciation Tax		
Provision for the year	**39**	61
Over-provision in respect of prior years	**–**	(2)
	39	59
Deferred tax		
Origination and reversal of temporary differences	**674**	252
	674	252
	1,739	1,005

Provision for Hong Kong Profits Tax has been made at 16.5% (2012: 16.5%) on the estimated assessable profits for the year, taking into account a one-off reduction of 75% of the tax payable for the year of assessment 2012/13 subject to a ceiling of HK$10,000 allowed by the Hong Kong SAR Government for each business.

Provision for taxation outside Hong Kong is provided for at the applicable rates of taxation for the year on the estimated assessable profits arising in the relevant foreign tax jurisdictions during the year.

Land Appreciation Tax is levied on properties in mainland China developed by the Group for sale, at progressive rates ranging from 30% to 60% on the appreciation of land value, which under the applicable regulations is calculated based on the revenue from sale of properties less deductible expenditure including lease charges of land use rights, borrowing costs and all property development expenditure.

11 Income tax (continued)

(b) Reconciliation between tax expense and accounting profit at applicable tax rates:

	2013 HK$ million	2012 HK$ million
Profit before taxation (2012 – restated)	**17,795**	21,330
Notional tax on profit before taxation, calculated at the rates applicable to profits in the countries concerned	**3,234**	3,619
Tax effect of share of profits less losses of associates and joint ventures	**(1,055)**	(1,399)
Tax effect of non-deductible expenses	**266**	241
Tax effect of non-taxable revenue	**(937)**	(1,571)
Tax effect of temporary difference not recognised in prior years now recognised	**9**	(17)
Tax effect of current year's tax losses not recognised	**282**	296
Tax effect of prior year's tax losses utilised	**(13)**	(77)
Tax effect of unused tax losses not recognised in prior years now recognised	**(55)**	(42)
Tax indemnity received	**(44)**	(84)
One-off rebate of profits tax	**(1)**	(1)
Land Appreciation Tax	**29**	46
Withholding tax	**9**	8
Under/(over)-provision in respect of prior years, net	**15**	(14)
Actual tax expense	**1,739**	1,005

11 Income tax (continued)

(c) Deferred tax assets and liabilities recognised:

The components of deferred tax (assets)/liabilities recognised in the consolidated balance sheet and the movements during the year are as follows:

	The Group							
	Depreciation allowances in excess of related depreciation HK$ million	Revaluation of properties HK$ million	Elimination and capitalisation of expenses HK$ million	Fair value adjustment on business combination HK$ million	Consideration receivable on disposal of toll fee collection right of toll bridges HK$ million	Tax losses HK$ million	Others HK$ million	Total HK$ million
Deferred tax arising from:								
At 1 January 2012	979	2,552	529	1,088	14	(581)	(172)	4,409
Exchange adjustments	–	(5)	–	–	–	–	–	(5)
Charged/(credited) to profit or loss	104	198	(36)	–	(2)	(8)	(4)	252
Credited to reserves (note 14(b))	–	–	–	–	–	–	(84)	(84)
Acquisition of subsidiaries (note 34(a))	–	–	–	36	–	–	–	36
At 31 December 2012	1,083	2,745	493	1,124	12	(589)	(260)	4,608
At 1 January 2013	**1,083**	**2,745**	**493**	**1,124**	**12**	**(589)**	**(260)**	**4,608**
Exchange adjustments	**11**	**93**	**5**	**–**	**–**	**–**	**–**	**109**
Charged/(credited) to profit or loss	**130**	**495**	**31**	**–**	**(1)**	**20**	**(1)**	**674**
Charged to reserves (note 14(b))	**–**	**–**	**–**	**–**	**–**	**–**	**239**	**239**
Acquisition of subsidiaries (note 34(a))	**–**	**–**	**–**	**3**	**–**	**–**	**–**	**3**
At 31 December 2013	**1,224**	**3,333**	**529**	**1,127**	**11**	**(569)**	**(22)**	**5,633**

	The Group	
	2013 HK$ million	2012 HK$ million
Net deferred tax assets recognised in the consolidated balance sheet	**(523)**	(804)
Net deferred tax liabilities recognised in the consolidated balance sheet	**6,156**	5,412
	5,633	4,608

11 Income tax (continued)

(d) Deferred tax assets not recognised:

Deferred tax assets have not been recognised in respect of the following items:

	The Group			
	2013		2012	
	Deductible temporary differences/ tax losses HK$ million	**Deferred tax assets HK$ million**	Deductible temporary differences/ tax losses HK$ million	Deferred tax assets HK$ million
Deductible temporary differences	**8**	**1**	50	8
Future benefits of tax losses				
Hong Kong (note (i))				
– Assessed by the Inland Revenue Department	**2,286**	**377**	1,765	291
– Not yet assessed by the Inland Revenue Department	**4,679**	**772**	3,422	564
Outside Hong Kong (note (ii))	**1,130**	**282**	949	237
	8,095	**1,431**	6,136	1,092
	8,103	**1,432**	6,186	1,100

Notes:

(i) The tax losses do not expire under current tax legislation.

(ii) The tax losses can be carried forward to offset against taxable profits of subsequent years for up to five years from the year in which they arose.

The Group has not recognised deferred tax assets in respect of deductible temporary differences and unused tax losses of certain subsidiaries as it is not probable that sufficient future taxable profits will be available against which the deductible temporary differences and unused tax losses can be utilised.

12 Profit attributable to equity shareholders of the Company

The consolidated profit attributable to equity shareholders of the Company includes a profit of HK$2,340 million (2012: HK$2,731 million) which has been dealt with in the accounts of the Company.

13 Dividends

(a) Dividends payable to equity shareholders of the Company attributable to profit for the year

	2013 HK$ million	2012 HK$ million
Interim dividend declared and paid of HK$0.32 (2012: HK$0.32) per share	**859**	768
Final dividend proposed after the balance sheet date of HK$0.74 (2012: HK$0.74) per share	**1,997**	1,787
	2,856	2,555

The final dividend proposed after the balance sheet date has not been recognised as a liability at the balance sheet date.

(b) Dividends payable to equity shareholders of the Company attributable to profit for the previous financial year, approved and paid during the year

	2013 HK$ million	2012 HK$ million
Final dividend in respect of the previous financial year, approved and paid during the year of HK$0.74 (2012: HK$0.7) per share	**1,787**	1,658

14 Other comprehensive income

(a) Tax effects relating to each component of other comprehensive income

	2013			2012		
	Pre-tax amount HK$ million	Tax expense HK$ million	Net-of-tax amount HK$ million	Pre-tax amount HK$ million	Tax credit HK$ million	Net-of-tax amount HK$ million
Exchange differences: net movement in the exchange reserve	**1,491**	**–**	**1,491**	(29)	–	(29)
Cash flow hedges: net movement in the hedging reserve	**1,453**	**(239)**	**1,214**	(508)	84	(424)
Available-for-sale equity securities: net movement in the fair value reserve	**(151)**	**–**	**(151)**	386	–	386
Share of other comprehensive income of associates and joint ventures (2012 – restated)	**380**	**–**	**380**	159	–	159
Other comprehensive income for the year (2012 – restated)	**3,173**	**(239)**	**2,934**	8	84	92

14 Other comprehensive income (continued)

(b) Components of other comprehensive income, including reclassification adjustments

	2013 HK$ million	2012 HK$ million
Exchange differences:		
– translation of accounts of foreign entities	**1,491**	(29)
Net movement in the exchange reserve during the year recognised in other comprehensive income	**1,491**	(29)
Cash flow hedges:		
– effective portion of changes in fair value of hedging instruments recognised during the year	**1,272**	(548)
– reclassification adjustments for amounts transferred to profit or loss	**181**	40
– net deferred tax (charged)/credited to other comprehensive income (note 11(c))	**(239)**	84
Net movement in the hedging reserve during the year recognised in other comprehensive income	**1,214**	(424)
Available-for-sale equity securities:		
– changes in fair value recognised during the year	**(332)**	471
– reclassification adjustments for amounts transferred to profit or loss on disposal	**(163)**	(85)
– reclassification adjustments for amounts transferred to profit or loss on impairment	**344**	–
Net movement in the fair value reserve during the year recognised in other comprehensive income	**(151)**	386

14 Other comprehensive income (continued)

(c) For each component of equity

	Attributable to equity shareholders of the Company									
	Property revaluation reserve HK$ million	Capital redemption reserve HK$ million	Exchange reserve HK$ million	Fair value reserve HK$ million	Hedging reserve HK$ million	Other reserves HK$ million	Retained profits (restated) HK$ million	Total (restated) HK$ million	Non-controlling interests HK$ million	Total other comprehensive income (restated) HK$ million
2012										
Exchange differences:										
– translation of accounts of foreign entities	–	–	(27)	–	–	–	–	(27)	(2)	(29)
Cash flow hedges:										
– effective portion of changes in fair value, net of deferred tax	–	–	–	–	(457)	–	–	(457)	–	(457)
– reclassification from equity to profit or loss, net of deferred tax	–	–	–	–	33	–	–	33	–	33
Available-for-sale equity securities:										
– changes in fair value	–	–	–	471	–	–	–	471	–	471
– reclassification adjustments for amounts transferred to profit or loss on disposal	–	–	–	(85)	–	–	–	(85)	–	(85)
Share of other comprehensive income of associates and joint ventures (restated)	–	–	68	168	(60)	–	(17)	159	–	159
Other comprehensive income for the year (restated)	–	–	41	554	(484)	–	(17)	94	(2)	92
2013										
Exchange differences:										
– translation of accounts of foreign entities	**–**	**–**	**1,472**	**–**	**–**	**–**	**–**	**1,472**	**19**	**1,491**
Cash flow hedges:										
– effective portion of changes in fair value, net of deferred tax	**–**	**–**	**–**	**–**	**1,063**	**–**	**–**	**1,063**	**–**	**1,063**
– reclassification from equity to profit or loss, net of deferred tax	**–**	**–**	**–**	**–**	**151**	**–**	**–**	**151**	**–**	**151**
Available-for-sale equity securities:										
– changes in fair value	**–**	**–**	**–**	**(332)**	**–**	**–**	**–**	**(332)**	**–**	**(332)**
– reclassification adjustments for amounts transferred to profit or loss on disposal	**–**	**–**	**–**	**(163)**	**–**	**–**	**–**	**(163)**	**–**	**(163)**
– reclassification adjustments for amounts transferred to profit or loss on impairment	**–**	**–**	**–**	**344**	**–**	**–**	**–**	**344**	**–**	**344**
Share of other comprehensive income of associates and joint ventures	**–**	**–**	**349**	**(74)**	**56**	**4**	**45**	**380**	**–**	**380**
Other comprehensive income for the year	**–**	**–**	**1,821**	**(225)**	**1,270**	**4**	**45**	**2,915**	**19**	**2,934**

15 Earnings per share

(a) Reported earnings per share

The calculation of basic earnings per share is based on the consolidated profit attributable to equity shareholders of the Company of HK$15,948 million (2012 (restated): HK$20,201 million) and the weighted average number of 2,672 million ordinary shares in issue during the year (2012: 2,625 million ordinary shares*), calculated as follows:

	2013 million	2012 million
Number of issued ordinary shares at 1 January	**2,415**	2,369
Weighted average number of ordinary shares issued in respect of scrip dividends	**16**	17
Weighted average number of ordinary shares issued in respect of the bonus issue	**241**	239
Weighted average number of ordinary shares for the year and at 31 December (2012: as adjusted)	**2,672**	2,625

Diluted earnings per share were the same as the basic earnings per share for the year and the corresponding year ended 31 December 2012 as there were no dilutive potential ordinary shares in existence during the two years.

* *Adjusted for the bonus issue in 2013.*

(b) Underlying earnings per share

For the purpose of assessing the underlying performance of the Group, basic and diluted earnings per share are additionally calculated based on the underlying profit attributable to equity shareholders of the Company of HK$8,938 million (2012 (restated): HK$7,091 million), excluding the effects of changes in fair value of investment properties and investment properties under development (net of deferred tax) during the year. A reconciliation of profit is as follows:

	2013 HK$ million	2012 HK$ million
Profit attributable to equity shareholders of the Company (2012 – restated)	**15,948**	20,201
Effect of changes in fair value of investment properties and investment properties under development (note 17 (a))	**(6,345)**	(8,813)
Effect of deferred tax on changes in fair value of investment properties and investment properties under development (note 11 (c))	**495**	198
Effect of share of changes in fair value of investment properties (net of deferred tax) of:		
– associates	**(552)**	(1,243)
– joint ventures	**(628)**	(3,310)
Effect of share of non-controlling interests	**20**	58
Underlying profit attributable to equity shareholders of the Company (2012 – restated)	**8,938**	7,091
Underlying earnings per share	**HK$3.35**	HK$2.70*

* *Adjusted for the bonus issue in 2013.*

16 Segment reporting

The Group manages its businesses by a mixture of business lines and geography. In a manner consistent with the way in which information is reported internally to the Group's most senior executive management for the purposes of resource allocation and performance assessment, the Group has identified the following reportable segments.

Property development	:	Development and sale of properties
Property leasing	:	Leasing of properties
Construction	:	Construction of building works
Infrastructure	:	Investment in infrastructure projects
Hotel operation	:	Hotel operation and management
Department store operation	:	Department store operation and management
Others	:	Provision of finance, investment holding, project management, property management, agency services, cleaning and security guard services, as well as the trading of building materials and disposal of leasehold land

For the purposes of assessing segment performance and allocating resources between segments, the Group's most senior executive management monitors the results attributable to each reportable segment on the following bases.

Revenue and expenses are allocated to the reportable segments with reference to revenues generated by those segments and the expenses incurred by those segments. Segment results form the basis of measurement used for assessing segment performance and represent profit or loss before bank interest income, provision/(reversal of provision) on inventories, fair value adjustment of investment properties and investment properties under development, finance costs, income tax and items not specifically attributed to individual reportable segments, such as unallocated head office and corporate expenses.

16 Segment reporting (continued)

(a) Results of reportable segments

Information regarding the Group's reportable segments as provided to the Group's most senior executive management for the purposes of resource allocation and assessment of segment performance for the years ended 31 December 2013 and 2012 is set out below:

2013

	Property development HK$ million	Property leasing HK$ million (note (iii))	Construction HK$ million	Infrastructure HK$ million	Hotel operation HK$ million	Department store operation HK$ million	Others HK$ million	Eliminations HK$ million	Consolidated HK$ million
External revenue	15,743	4,994	1,290	–	194	399	669	–	23,289
Inter-segment revenue	–	258	2,785	–	–	–	66	(3,109)	–
Reportable segment revenue	15,743	5,252	4,075	–	194	399	735	(3,109)	23,289
Reportable segment results	2,952	3,670	(26)	(41)	57	79	134		6,825
Bank interest income									308
Provision on inventories, net	(304)	–	–	–	–	–	–		(304)
Unallocated head office and corporate expenses, net									(704)
Profit from operations									6,125
Increase in fair value of investment properties and investment properties under development									6,345
Finance costs									(957)
									11,513
Share of profits less losses of associates (note (i))									
– Listed associates									
The Hong Kong and China Gas Company Limited	–	268	–	–	18	–	2,477		2,763
Miramar Hotel and Investment Company, Limited	(1)	583	–	–	58	–	(24)		616
Hong Kong Ferry (Holdings) Company Limited	7	39	–	–	–	–	109		155
– Unlisted associates	–	121	–	–	–	–	14		135
	6	1,011	–	–	76	–	2,576		3,669
Share of profits less losses of joint ventures (note (ii))	819	1,638	–	–	115	–	41		2,613
Profit before taxation									17,795
Income tax									(1,739)
Profit for the year									16,056

16 Segment reporting (continued)

(a) Results of reportable segments (continued)

2012

	Property development HK$ million	Property leasing HK$ million (note (iii))	Construction HK$ million	Infrastructure HK$ million	Hotel operation HK$ million	Department store operation HK$ million	Others HK$ million	Eliminations HK$ million	Consolidated HK$ million
External revenue	8,708	4,494	761	63	240	373	953	–	15,592
Inter-segment revenue	–	231	2,045	–	–	–	68	(2,344)	–
Reportable segment revenue	8,708	4,725	2,806	63	240	373	1,021	(2,344)	15,592
Reportable segment results	2,306	3,107	(50)	9	94	67	818		6,351
Bank interest income									235
Provision on inventories, net	(36)	–	–	–	–	–	–		(36)
Unallocated head office and corporate expenses, net									(1,251)
Profit from operations									5,299
Increase in fair value of investment properties and investment properties under development									8,813
Finance costs									(1,239)
									12,873
Share of profits less losses of associates (restated) (note (i))									
– Listed associates									
The Hong Kong and China Gas Company Limited (restated)	–	728	–	–	18	–	2,329		3,075
Miramar Hotel and Investment Company, Limited	–	625	–	–	59	–	(79)		605
Hong Kong Ferry (Holdings) Company Limited (restated)	32	74	–	–	–	–	14		120
– Unlisted associates	–	242	–	–	–	–	(1)		241
	32	1,669	–	–	77	–	2,263		4,041
Share of profits less losses of joint ventures (note (ii))	46	4,253	–	–	117	–	–		4,416
Profit before taxation (restated)									21,330
Income tax									(1,005)
Profit for the year (restated)									20,325

Notes:

(i) The Group's share of profits less losses of associates contributed from the property leasing segment during the year of HK$1,011 million (2012: HK$1,669 million) includes the increase in fair value of investment properties (net of deferred tax) during the year of HK$552 million (2012: HK$1,243 million).

(ii) The Group's share of profits less losses of joint ventures contributed from the property leasing segment during the year of HK$1,638 million (2012: HK$4,253 million) includes the increase in fair value of investment properties (net of deferred tax) during the year of HK$628 million (2012: HK$3,310 million).

(iii) Turnover for the property leasing segment comprises rental income of HK$4,442 million (2012: HK$3,983 million) and rental-related income of HK$552 million (2012: HK$511 million), which in aggregate amounted to HK$4,994 million for the year ended 31 December 2013 (2012: HK$4,494 million).

16 Segment reporting (continued)

(b) Geographical information

The following table sets out information about the geographical segment location of (i) the Group's revenue from external customers; and (ii) the Group's fixed assets, intangible operating right, interests in associates and joint ventures (together, the "Specified non-current assets"). The geographical location of customers is based on the location at which the services were provided or the goods were delivered. The geographical location of the Specified non-current assets is based on the physical location of the asset in the case of fixed assets, the location of the operation to which they are allocated in the case of the intangible operating right, and the location of operations in the case of interests in associates and joint ventures.

	Revenue from external customers		Specified non-current assets	
	For the year ended 31 December		At 31 December	
	2013	2012	**2013**	2012 (restated)
	HK$ million	HK$ million	**HK$ million**	HK$ million
Hong Kong	**16,779**	12,377	**151,510**	142,859
Mainland China	**6,510**	3,215	**36,910**	30,619
	23,289 (note 5)	15,592 (note 5)	**188,420**	173,478

(c) Other segment information

	Amortisation and depreciation		Impairment loss on trade debtors	
	For the year ended 31 December		For the year ended 31 December	
	2013	2012	**2013**	2012
	HK$ million	HK$ million	**HK$ million**	HK$ million
Property development	**18**	8	**–**	–
Property leasing	**23**	22	**1**	–
Construction	**41**	52	**–**	–
Infrastructure	**32**	40	**–**	–
Hotel operation	**41**	46	**–**	–
Department store operation	**4**	3	**–**	–
Others	**38**	40	**1**	–
	197	211	**2**	–

17 Fixed assets

(a) The Group

	Investment properties HK$ million	Investment properties under development HK$ million	Hotel properties HK$ million	Other land and buildings HK$ million	Properties under development for own use HK$ million	Interests in leasehold land held for own use under finance leases HK$ million	Others HK$ million	Total HK$ million
Cost or valuation:								
At 1 January 2012	88,984	1,440	836	134	418	984	1,262	94,058
Exchange adjustments	4	(32)	–	–	–	–	–	(28)
Additions								
– others	174	79	–	6	154	–	234	647
Disposals								
– through disposal of a subsidiary (note 34 (b))	(359)	–	–	–	–	–	–	(359)
– others	(686)	(370)	–	–	–	–	(76)	(1,132)
Surplus on revaluation	8,762	51	–	–	–	–	–	8,813
Transfer to investment properties	947	(947)	–	–	–	–	–	–
Transfer from inventories	462	–	–	4	–	–	–	466
Transfers to other land and buildings	–	–	–	572	(572)	–	–	–
At 31 December 2012	98,288	221	836	716	–	984	1,420	102,465
Representing:								
Cost	–	–	836	716	–	984	1,420	3,956
Valuation	98,288	221	–	–	–	–	–	98,509
	98,288	221	836	716	–	984	1,420	102,465
Accumulated depreciation and impairment losses:								
At 1 January 2012	–	–	222	30	–	123	912	1,287
Charge for the year (note 8(d))	–	–	21	2	–	19	139	181
Written back on disposals								
– others	–	–	–	–	–	–	(75)	(75)
At 31 December 2012	–	–	243	32	–	142	976	1,393
Net book value:								
At 31 December 2012	98,288	221	593	684	–	842	444	101,072

17 Fixed assets (continued)

(a) The Group (continued)

	Investment properties HK$ million	Investment properties under development HK$ million	Hotel properties HK$ million	Other land and buildings HK$ million	Properties under development for own use HK$ million	Interests in leasehold land held for own use under finance leases HK$ million	Others HK$ million	Total HK$ million
Cost or valuation:								
At 1 January 2013	98,288	221	836	716	–	984	1,420	102,465
Exchange adjustments	859	46	–	1	–	–	10	916
Additions								
– others	134	439	–	15	–	–	76	664
Disposals								
– through disposal of subsidiaries (note 34 (b))	(1,084)	–	–	–	–	–	–	(1,084)
– others	(115)	–	–	–	–	–	(54)	(169)
Written off	–	–	–	–	–	–	(73)	(73)
Surplus on revaluation	5,033	1,312	–	–	–	–	–	6,345
Transfer to investment properties	582	–	–	(582)	–	–	–	–
Transfer from/(to) inventories, net	(662)	1,878	–	89	–	–	–	1,305
At 31 December 2013	103,035	3,896	836	239	–	984	1,379	110,369
Representing:								
Cost	–	–	836	239	–	984	1,379	3,438
Valuation	103,035	3,896	–	–	–	–	–	106,931
	103,035	3,896	836	239	–	984	1,379	110,369
Accumulated depreciation and impairment losses:								
At 1 January 2013	–	–	243	32	–	142	976	1,393
Exchange adjustments	–	–	–	–	–	–	7	7
Charge for the year (note 8(d))	–	–	21	2	–	19	129	171
Written back on disposals								
– others	–	–	–	–	–	–	(52)	(52)
Written off	–	–	–	–	–	–	(22)	(22)
At 31 December 2013	–	–	264	34	–	161	1,038	1,497
Net book value:								
At 31 December 2013	103,035	3,896	572	205	–	823	341	108,872

17 Fixed assets (continued)

(b) The analysis of net book value of properties is as follows:

	The Group	
	2013 HK$ million	2012 HK$ million
In Hong Kong		
– under long leases	**8,312**	7,844
– under medium-term leases	**67,654**	65,531
	75,966	73,375
Outside Hong Kong		
– under long leases	**152**	–
– under medium-term leases	**32,412**	27,252
– under short-term leases	**1**	1
	32,565	27,253
	108,531	100,628

(c) Fair value measurement of investment properties and investment properties under development

Fair value hierarchy

The fair value of the Group's investment properties and investment properties under development is measured at the balance sheet date on a recurring basis, categorised into the three-level fair value hierarchy as defined in HKFRS 13, *Fair value measurement*. The level into which a fair value measurement is classified is determined with reference to the observability and significance of the inputs used in the valuation technique as follows:

- Level 1 valuations: Fair value measured using only Level 1 inputs, i.e. unadjusted quoted prices in active markets for identical assets or liabilities at the measurement date.

- Level 2 valuations: Fair value measured using Level 2 inputs, i.e. observable inputs which fail to meet Level 1, and not using significant unobservable inputs. Unobservable inputs are inputs for which market data are not available.

- Level 3 valuations: Fair value measured using significant unobservable inputs.

None of the Group's investment properties measured at fair value are categorised as Level 1 and Level 2 valuations.

During the years ended 31 December 2013 and 2012, there were no transfers between Level 1 and Level 2 or transfers into or out of Level 3. The Group's policy is to recognise transfers between levels of fair value hierarchy at the balance sheet date during which they occur.

17 Fixed assets (continued)

(c) Fair value measurement of investment properties and investment properties under development (continued)

Valuation process

The Group's investment properties and investment properties under development were revalued at 31 December 2013 by DTZ Debenham Tie Leung Limited, an independent firm of professional surveyors who have among their staff Members of The Hong Kong Institute of Surveyors with recent experience in the location and category of property being valued, on a market value basis.

The Group's management has reviewed the valuation results performed by the independent surveyors for financial reporting purposes by verifying all major inputs and assumptions, and assessing the reasonableness of property valuation. Such valuation is performed at each interim and annual balance sheet date and is reviewed and approved by senior management.

Valuation methodologies

The valuations of completed investment properties in Hong Kong and mainland China were based on income capitalisation approach which capitalised the net income of the properties and taking into account the reversionary potential of the properties after expiry of the current lease.

For certain investment properties in Hong Kong and mainland China which are still under development, the valuations were determined on redevelopment basis and by taking into account the fair value of the completed investment property and then deducting from that amount the estimated costs to complete the construction, financing costs and a reasonable profit margin.

Level 3 valuation methodologies

Below is a table which presents the significant unobservable inputs:

Completed investment properties

	Range of capitalisation rates %	Range of occupancy rates %
In Hong Kong		
– Retail	2.75%-6.0%	91%-100%
– Office/industrial	3.5%-4.5%	87%-100%
– Residential	2.5%-2.75%	96%
In mainland China		
– Retail	5.5%-8.0%	82%-100%
– Office	6.5%-7.5%	77%-100%

The fair value measurement of completed investment properties is positively correlated to the occupancy rate and negatively correlated to the capitalisation rate.

17 Fixed assets (continued)

(c) Fair value measurement of investment properties and investment properties under development (continued)

Level 3 valuation methodologies (continued)

Investment properties under development

	Estimated cost to completion HK$/square foot
In Hong Kong	3,018
In mainland China	141

The fair value measurement of investment properties under development is negatively correlated to the estimated cost to completion.

Valuation

As a result, a net fair value gain of HK$6,345 million (2012: HK$8,813 million) and deferred tax thereon of HK$495 million (2012: HK$198 million) have been recognised in the consolidated statement of profit or loss for the year.

(d) All properties held under operating leases that would otherwise meet the definition of investment properties are classified as investment properties.

18 Intangible operating right

The Group

	Toll bridge operating right	
	2013 HK$ million	2012 HK$ million
Cost:		
At 1 January	**931**	931
Exchange adjustments	**26**	–
At 31 December	**957**	931
Accumulated amortisation:		
At 1 January	**516**	477
Exchange adjustments	**16**	–
Charge for the year (note 8(d))	**31**	39
At 31 December	**563**	516
Carrying amount:		
At 31 December	**394**	415

The toll bridge represents Hangzhou Qianjiang Third Bridge (the "Bridge") located in Hangzhou, Zhejiang Province, mainland China.

18 Intangible operating right (continued)

The Group was granted the operating right of the Bridge by the Hangzhou Foreign Economic Relations and Trade Commission (杭州市對外經濟貿易委員會) in 1997 and was further approved by National Development and Reform Commission (formerly known as State Development & Planning Committee) (發展和改革委員會(前稱為國家發展計劃委員會)) in 1999 for a period of 30 years from 20 March 1997 (commencement date of the Bridge's operation) to 19 March 2027 during which the Group has the rights of management and maintenance of the Bridge.

The General Office of the People's Government of Zhejiang Province (浙江省人民政府) notified Zhejiang Province Department of Communications (浙江省交通運輸廳) and other relevant government authorities in 2003 to provisionally fix the period for entitlement to toll fee in respect of 39 toll roads and highways in the province. In the case of the Bridge, which was also included in the list, the period was provisionally fixed at 15 years (from 20 March 1997 to 19 March 2012).

Hangzhou Henderson Qianjiang Third Bridge Company, Limited (the "Joint Venture Company"), a subsidiary of Henderson Investment Limited ("HIL", being a subsidiary of the Company) which holds the operating right of the Bridge, had obtained from the Hangzhou Municipal Bureau of Communications (杭州市交通運輸局) a written pledge on 31 December 2003 regarding the operating period of the Bridge of 30 years and they were of the view that the operating right and the toll fee collection right should be for a same period. For the sake of reassurance, in June 2011, the Joint Venture Company wrote to the People's Government of Zhejiang Province and Zhejiang Province Department of Communications requesting for their confirmation that both the operating right and toll fee collection right of the Bridge last for a same period of 30 years, the reply from whom is pending at the date of issue of these accounts. In this regard, on 9 February 2012, the Joint Venture Company filed with Legislative Affairs Office of the People's Government of Zhejiang Province (浙江省人民政府法制辦公室) an administrative reconsideration application for the purpose of seeking an order to oblige the People's Government of Zhejiang Province and Zhejiang Province Department of Communications to carry out their statutory duties to officially confirm that the toll fee collection right of the Bridge should be for a period of 30 years.

Whilst HIL was still waiting for the result of the application, on 20 March 2012, the Joint Venture Company received a letter dated 18 March 2012 from the Hangzhou Toll Office (as referred to in note 4(a)) which stated that, because the General Office of the People's Government of Zhejiang Province in 2003 provisionally fixed the period of entitlement to toll fee in respect of the Bridge to end on 19 March 2012, they would, commencing from 20 March 2012, provisionally suspend payment of toll fee to the Joint Venture Company in respect of the Bridge. The Hangzhou Toll Office also stated in the letter that they would, in accordance with the terms of the Collection Agreement (as referred to in note 4(a)), continue to record the traffic flow of the Bridge and work with the Joint Venture Company. The Joint Venture Company was instructed by HIL to write to the Hangzhou Toll Office to state that the action taken by the Hangzhou Toll Office had no legal or contractual basis and was unacceptable and to ask the Hangzhou Toll Office to clarify the basis of their action and to continue to perform their obligations under the Collection Agreement, failing which the Joint Venture Company would have no alternative but to take legal actions to protect its interest. The Joint Venture Company on 6 June 2012 received a letter from Hangzhou Municipal Bureau of Communications which stated that Hangzhou Municipal Bureau of Communications had been confirmed and assigned by Hangzhou Municipal People's Government (杭州市人民政府) to negotiate concretely with the Joint Venture Company and strive to properly deal with the related matters resulting from the abovementioned provisional suspension of the toll fee payment of the Bridge as soon as possible, and the corresponding compensation matters proposed by the Joint Venture Company would be dealt with in due course.

18 Intangible operating right (continued)

In view of the uncertainty on the inflow of the toll revenue to the Joint Venture Company, the toll revenue (after deduction of business tax) during the period from 20 March 2012 (being the commencement date for the provisional suspension of the toll fee payment from the Hangzhou Toll Office to the Group) to 31 December 2013 of RMB462 million, or equivalent to HK$572 million, was not recognised in these accounts. Accordingly, the Group did not recognise any toll income receivable from the Bridge collected on behalf of the Group by the Hangzhou Toll Office at 31 December 2013. Besides, in order to protect the interest of the Joint Venture Company, the Joint Venture Company had, in accordance with the terms of the Collection Agreement, filed an arbitration application with China International Economic and Trade Arbitration Commission ("CIETAC", 中國國際經濟貿易仲裁委員會) on 17 September 2012 against the Hangzhou Toll Office and Hangzhou Municipal People's Government for an arbitration award that, inter alia, they should continue to perform their obligations under the Collection Agreement by paying toll fees of the Bridge to the Joint Venture Company and be liable for the damages for the breach of contract and the relevant outstanding toll fees together with the legal and arbitration costs incurred. CIETAC on 12 November 2012 confirmed its acceptance to administer the above arbitration case.

The amortisation charge for the year is included in "Direct costs" in the consolidated statement of profit or loss.

19 Interest in subsidiaries

	The Company	
	2013 HK$ million	2012 HK$ million
Unlisted shares, at cost	**2,851**	2,851
Less: Impairment loss	**(93)**	(93)
	2,758	2,758
Amounts due from subsidiaries	**138,628**	134,754
	141,386	137,512
Amounts due to subsidiaries (note 29)	**(22,405)**	(20,495)

The amounts due from/to subsidiaries are unsecured, interest-free and have no fixed terms of repayment. The balances are not expected to be recovered/settled within one year.

Details of the principal subsidiaries at 31 December 2013 are set out on pages 228 to 235.

20 Interest in associates

	The Group		The Company	
	2013	2012 (restated)	**2013**	2012
	HK$ million	HK$ million	**HK$ million**	HK$ million
Unlisted				
Shares, at cost	**–**	–	**129**	161
Share of net assets	**1,652**	1,438	**–**	–
Amounts due from associates	**343**	335	**8**	5
	1,995	1,773	**137**	166
Less: Impairment loss	**–**	–	**(38)**	(38)
	1,995	1,773	**99**	128
Listed in Hong Kong				
Share of net assets, including goodwill on acquisition	**46,113**	40,630	**–**	–
	48,108	42,403	**99**	128
Market value of listed shares	**74,076**	76,675	**–**	–

During the year ended 31 December 2013, the Group acquired additional interests in the Group's listed associates, being (i) 0.87% equity interest in Miramar Hotel and Investment Company, Limited from Sir Po-shing Woo who is the father of Mr Woo Ka Biu, Jackson, an independent non-executive director of the Company and a company beneficially owned by Sir Po-shing Woo and his spouse; (ii) 1.62% equity interest in The Hong Kong and China Gas Company Limited from Dr Lee Shau Kee ("Dr Lee"), the chairman and an executive director of the Company and companies indirectly controlled by the private trusts of the family of Dr Lee; and (iii) 1.97% equity interest in Hong Kong Ferry (Holdings) Company Limited from Dr Lee, for an aggregate consideration of HK$2,989 million.

Included in interest in associates at 31 December 2013 was a goodwill of HK$2,111 million arising from the Company's acquisition of 1.62% equity interest in The Hong Kong and China Gas Company Limited.

The Group recorded gain on bargain purchase of HK$97 million and HK$61 million in respect of the acquisition of 0.87% equity interest in Miramar Hotel and Investment Company, Limited and 1.97% equity interest in Hong Kong Ferry (Holdings) Company Limited, respectively. The gain on bargain purchase represents the excess of the net fair value of the identifiable assets and liabilities acquired over the aggregate of the fair value of the consideration paid, and is included in "Share of profits less losses of associates" in the consolidated statement of profit or loss.

Except for the amounts due from associates of HK$6 million (2012: HK$10 million) and HK$80 million (2012: HK$74 million) which are interest-bearing at Hong Kong dollar prime rate less 3% (2012: Hong Kong dollar prime rate less 3%) per annum and Hong Kong dollar prime rate plus 2% (2012: Hong Kong dollar prime rate plus 2%) per annum, respectively, all of the amounts due from associates are unsecured, interest-free and have no fixed terms of repayment. The balances are not expected to be recovered within one year and are neither past due nor impaired.

All of the associates are accounted for using the equity method in the consolidated accounts. Details of the principal associates at 31 December 2013 are set out on page 236.

20 Interest in associates (continued)

Summarised financial information of the material associate, adjusted for any differences in accounting policies and reconciled to the carrying amounts in the consolidated accounts, are disclosed below:

	The Hong Kong and China Gas Company Limited (note)	
	2013 HK$ million	2012 HK$ million
Gross amounts of the associate's:		
Current assets	**21,689**	21,438
Non-current assets	**84,807**	77,604
Current liabilities	**(19,262)**	(17,253)
Non-current liabilities	**(30,781)**	(31,353)
Equity	**56,453**	50,436
Revenue	**28,246**	24,923
Profit from continuing operations	**7,756**	8,401
Post-tax profit or loss from discontinued operations	**–**	–
Other comprehensive income	**1,041**	294
Total comprehensive income	**8,797**	8,695
Dividend received from the associate	**1,254**	1,692
Reconciled to the Group's interest in the associate:		
Gross amounts of net assets of the associate	**56,453**	50,436
Non-controlling interests	**(6,503)**	(5,148)
Equity attributable to equity shareholders	**49,950**	45,288
Group's interest	**41.50%**	39.88%
Group's share of net assets of the associate	**20,729**	18,061
Goodwill	**17,488**	15,377
Carrying amount in the consolidated accounts	**38,217**	33,438
Market value of the listed shares	**70,538**	73,294

Note: The principal activities of The Hong Kong and China Gas Company Limited are the production, distribution and marketing of gas, water supply and emerging environmentally-friendly energy business. Its distinctive business nature forms a supplement of the Group's core business of property development and property investment to smooth out the cyclicality of the Group's property development business.

20 Interest in associates (continued)

Aggregate information of associates that are not individually material:

	2013 HK$ million	2012 HK$ million
Aggregate carrying amount of individually immaterial associates in the consolidated accounts	**9,891**	8,965
Aggregate amounts of the Group's share of those associates:		
Profit from continuing operations	**906**	966
Post-tax profit or loss from discontinued operations	**–**	–
Other comprehensive income	**(27)**	61
Total comprehensive income	**879**	1,027

21 Interest in joint ventures

	The Group		The Company	
	2013 HK$ million	2012 HK$ million	2013 HK$ million	2012 HK$ million
Unlisted shares, at cost	**–**	–	**–**	–
Share of net assets	**23,717**	22,147	**–**	–
Amounts due from joint ventures	**7,329**	7,441	**113**	267
	31,046	29,588	**113**	267

The amounts due from joint ventures are unsecured, interest-free and have no fixed terms of repayment except for the amounts of HK$5 million (2012: HK$11 million), HK$205 million (2012: HK$185 million) and HK$1,199 million (2012: HK$2,514 million) which are interest-bearing at Hong Kong dollar prime rate (2012: Hong Kong dollar prime rate) per annum, Hong Kong Interbank Offered Rate plus 0.5% (2012: Hong Kong Interbank Offered Rate plus 0.5%) per annum and Hong Kong Interbank Offered Rate plus 1.77% (2012: Hong Kong Interbank Offered Rate plus 1.77%) per annum, respectively. The balances are not expected to be recovered within one year and are neither past due nor impaired.

All of the joint ventures are accounted for using the equity method in the consolidated accounts. Details of the principal joint ventures at 31 December 2013 are set out on page 237.

21 Interest in joint ventures (continued)

Summarised financial information of the material joint venture, adjusted for any differences in accounting policies and reconciled to the carrying amounts in the consolidated accounts, are disclosed below:

	Central Waterfront Property Investment Holdings Limited (note)	
	2013 HK$ million	2012 HK$ million
Gross amounts of the joint venture's:		
Current assets	**1,019**	921
Non-current assets	**78,401**	77,638
Current liabilities	**(1,745)**	(1,661)
Non-current liabilities	**(18,236)**	(18,091)
Equity	**59,439**	58,807
Included in the above assets and liabilities:		
Cash and cash equivalents	**622**	512
Current financial liabilities (excluding trade and other payables and provisions)	**–**	–
Non-current financial liabilities (excluding trade and other payables and provisions)	**(17,398)**	(17,363)
Revenue	**5,435**	5,116
Profit from continuing operations	**3,713**	11,615
Post-tax profit or loss from discontinued operations	**–**	–
Other comprehensive income	**(11)**	–
Total comprehensive income	**3,702**	11,615
Dividend received from the joint venture	**1,050**	965
Included in the above profit:		
Amortisation and depreciation	**(109)**	(103)
Interest income	**1**	1
Interest expense	**(360)**	(317)
Income tax expense	**(592)**	(562)
Reconciled to the Group's interest in the joint venture:		
Gross amounts of net assets of the joint venture	**59,439**	58,807
Group's interest	**34.21%**	34.21%
Group's share of net assets of the joint venture	**20,334**	20,118
Goodwill	**–**	–
Amount due from a joint venture	**1,211**	2,519
Carrying amount in the consolidated accounts	**21,545**	22,637

Note: Central Waterfront Property Investment Holdings Limited was incorporated by the Group and its joint venture partners in the British Virgin Islands and operates in Hong Kong. Its subsidiaries are mainly engaged in property investment and hotel operation in the International Finance Centre complex in Hong Kong.

21 Interest in joint ventures (continued)

Aggregate information of joint ventures that are not individually material:

	2013 HK$ million	2012 HK$ million
Aggregate carrying amount of individually immaterial joint ventures in the consolidated accounts	**9,501**	6,951
Aggregate amounts of the Group's share of those joint ventures:		
Profit from continuing operations	**1,343**	442
Post-tax profit or loss from discontinued operations	**–**	–
Other comprehensive income	**57**	7
Total comprehensive income	**1,400**	449

22 Derivative financial instruments

	The Group			
	2013		2012	
	Assets HK$ million	**Liabilities HK$ million**	Assets HK$ million	Liabilities HK$ million
Cash flow hedges:				
Cross currency interest rate swap contracts (notes 4(c)(i) and 4(f))	**383**	**704**	595	761
Interest rate swap contracts (notes 4(c)(i) and 4(f))	**64**	**294**	–	1,657
	447	**998**	595	2,418
Representing:				
Non-current portion	**409**	**959**	595	2,378
Current portion (notes 26 and 29)	**38**	**39**	–	40
	447	**998**	595	2,418

Swap contracts which have been entered into with certain counterparty banks comprise:

– cross currency interest rate swap contracts to hedge against the interest rate risk and foreign currency risk in respect of guaranteed notes (see note 31) denominated in United States dollars, Pound Sterling and Singapore dollars with aggregate principal amounts of US$835 million, £50 million and S$200 million at 31 December 2013 (2012: US$835 million, £50 million and S$200 million) and bank loans denominated in United States dollars and Japanese Yen with aggregate amounts of US$Nil and ¥10,000 million at 31 December 2013 (2012: US$148 million and ¥10,000 million); and

– interest rate swap contracts to hedge against the interest rate risk in respect of certain bank loans denominated in Hong Kong dollars with an aggregate amount of HK$12,000 million at 31 December 2013 (2012: HK$13,000 million).

These cross currency interest rate swap contracts and interest rate swap contracts were designated as cash flow hedges of the interest rate risk and foreign currency risk in relation to the guaranteed notes and bank loans. They will mature between 25 July 2014 and 20 October 2026 (2012: 18 September 2013 and 20 October 2026).

23 Other financial assets

	The Group	
	2013 HK$ million	2012 HK$ million
Available-for-sale equity securities		
Unlisted (note 4(g))	**1,057**	392
Listed in Hong Kong (note 4(f))	**1,899**	2,433
	2,956	2,825
Instalments receivable	**2,394**	1,527
Loan receivable	**250**	–
Long term receivable	**14**	27
	5,614	4,379
Market value of listed securities	**1,899**	2,433

(a) Available-for-sale equity securities

At 31 December 2013, the Group's listed available-for-sale equity securities were individually determined to be impaired on the basis of significant or prolonged decline in their fair value below cost. Impairment loss on available-for-sale equity securities is recognised in profit or loss in accordance with the accounting policy set out in note 2(n)(i).

(b) Instalments receivable

Instalments receivable represents the proceeds receivable from the sale of properties due after one year from the balance sheet date. The balance included in "Other financial assets" is neither past due nor impaired. Instalments receivable due within one year from the balance sheet date is included in "Trade and other receivables" under current assets (see note 26).

(c) Loan receivable

Loan receivable is secured, interest-bearing at Hong Kong Interbank Offered Rate plus 5.65% per annum. The balance is due after one year from the balance sheet date and is neither past due nor impaired.

(d) Long term receivable

Long term receivable represents the non-current portion of the discounted value of the instalments receivable in the future arising from the disposal of toll fee collection right of certain toll bridges. The current portion of HK$68 million (2012: HK$46 million) which is expected to be recovered within one year is included in "Trade and other receivables" under current assets (see note 26).

24 Deposits for acquisition of properties

Deposits for acquisition of properties mainly include HK$4,264 million (2012: HK$4,135 million) and HK$561 million (2012: HK$561 million) paid for the acquisition of certain pieces of land/properties located in mainland China and Macau, respectively.

25 Inventories

	The Group	
	2013 HK$ million	2012 HK$ million
Property development		
Leasehold land held for development for sale	**10,027**	9,846
Properties held for/under development for sale	**61,408**	60,009
Completed properties for sale	**8,703**	6,449
	80,138	76,304
Other operations		
Trading stocks	**95**	99
	80,233	76,403

The analysis of carrying value of inventories for property development is as follows:

	The Group	
	2013 HK$ million	2012 HK$ million
In Hong Kong		
– under long leases	**18,281**	16,702
– under medium-term leases	**40,529**	37,038
	58,810	53,740
In mainland China		
– under long leases	**12,734**	12,341
– under medium-term leases	**8,594**	10,223
	21,328	22,564
	80,138	76,304
Including:		
– Properties expected to be completed after more than one year	**51,716**	40,953

26 Trade and other receivables

	The Group		The Company	
	2013 HK$ million	2012 HK$ million	**2013 HK$ million**	2012 HK$ million
Instalments receivable (note 23)	**1,809**	1,570	**–**	–
Debtors, prepayments and deposits	**5,042**	3,922	**67**	67
Gross amount due from customers for contract work (note 27)	**109**	82	**–**	–
Derivative financial instruments (note 22)	**38**	–	**–**	–
Amounts due from associates	**415**	230	**–**	–
Amounts due from joint ventures	**40**	10	**–**	–
	7,453	5,814	**67**	67

All of the trade and other receivables are expected to be recovered or recognised as expense within one year except for various deposits and other receivables of HK$322 million (2012: HK$317 million) which are expected to be recovered after more than one year.

The amounts due from associates and joint ventures are unsecured and interest-free, have no fixed terms of repayment and are neither past due nor impaired.

(a) Ageing analysis

At the balance sheet date, the ageing analysis of trade debtors (which are included in trade and other receivables) net of allowance for doubtful debts is as follows:

	The Group		The Company	
	2013 HK$ million	2012 HK$ million	**2013 HK$ million**	2012 HK$ million
Current or under 1 month overdue	**2,419**	1,826	**–**	–
More than 1 month overdue and up to 3 months overdue	**108**	114	**–**	–
More than 3 months overdue and up to 6 months overdue	**23**	16	**–**	–
More than 6 months overdue	**78**	55	**–**	–
	2,628	2,011	**–**	–

Details of the Group's credit policy are set out in note 4(a).

26 Trade and other receivables (continued)

(b) Impairment of trade debtors

Impairment losses in respect of trade debtors are recorded using an allowance account unless the Group is satisfied that recovery of the amount is remote, in which case the impairment loss is written off against trade debtors directly (see note 2(n)(i)).

The movement in the allowance for doubtful debts during the year is as follows:

	The Group		The Company	
	2013 HK$ million	2012 HK$ million	**2013 HK$ million**	2012 HK$ million
At 1 January	**57**	64	**–**	–
Exchange differences	**2**	–	**–**	–
Impairment loss recognised (notes 7 and 16(c))	**2**	–	**–**	–
Uncollectible amounts written off	**–**	(7)	**–**	–
At 31 December	**61**	57	**–**	–

At 31 December 2013, the Group's trade debtors of HK$61 million (2012: HK$57 million) were individually determined to be impaired. The individually impaired receivables related to customers who were in financial difficulties and management assessed that only a portion of these receivables are expected to be recovered. Accordingly, the Group has recognised impairment losses during the year in relation to the amounts which are considered to be irrecoverable.

(c) Trade debtors that are not impaired

The ageing analysis of trade debtors that are neither individually nor collectively considered to be impaired is as follows:

	The Group		The Company	
	2013 HK$ million	2012 HK$ million	**2013 HK$ million**	2012 HK$ million
Neither past due nor impaired	**1,943**	1,603	**–**	–
Less than 1 month past due	**476**	223	**–**	–
Over 1 month but less than 3 months past due	**108**	114	**–**	–
	584	337	**–**	–
	2,527	1,940	**–**	–

Receivables which were neither past due nor impaired relate to customers for whom there was no recent history of default.

Receivables which were past due but not impaired relate to customers who have a good track record of trading with the Group. Based on past experience, management considers that no impairment allowance is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are still considered to be fully recoverable.

27 Gross amount due from/(to) customers for contract work

	The Group	
	2013 HK$ million	2012 HK$ million
Contracts in progress at the balance sheet date:		
Contract costs incurred plus profits less losses	**917**	787
Progress billings	**(835)**	(976)
Net contract work	**82**	(189)
Represented by:		
Gross amount due from customers for contract work (note 26)	**109**	82
Gross amount due to customers for contract work (note 29)	**(27)**	(271)
	82	(189)

28 Cash and bank balances

	The Group		The Company	
	2013 HK$ million	2012 HK$ million	**2013 HK$ million**	2012 HK$ million
Deposits with banks and other financial institutions	**8,848**	7,204	**–**	–
Cash at bank and in hand	**5,067**	5,334	**1**	1
Cash and bank balances in the consolidated balance sheet	**13,915**	12,538	**1**	1
Less: deposits with banks and other financial institutions over three months of maturity at acquisition	**(178)**	–		
Cash and cash equivalents	**13,737**	12,538		
Bank overdrafts (note 30)	**(103)**	(82)		
Cash and cash equivalents in the consolidated cash flow statement	**13,634**	12,456		

At 31 December 2013, cash and cash equivalents in the consolidated balance sheet included balances of bank deposits in mainland China which were subject to exchange controls. Included in such bank deposits is an amount of HK$2,279 million (2012: HK$1,255 million) which was restricted for use and which primarily comprised the guarantee deposits for the construction of certain property development projects under pre-sales in mainland China.

29 Trade and other payables

	The Group		The Company	
	2013 HK$ million	2012 HK$ million	**2013 HK$ million**	2012 HK$ million
Creditors and accrued expenses	**7,870**	6,033	**19**	15
Gross amount due to customers for contract work (note 27)	**27**	271	**–**	–
Rental and other deposits	**1,198**	1,230	**–**	–
Forward sales deposits received	**6,429**	7,562	**–**	–
Amounts due to subsidiaries (note 19)	**–**	–	**22,405**	20,495
Derivative financial instruments (note 22)	**39**	40	**–**	–
Amounts due to associates	**53**	83	**–**	12
Amounts due to joint ventures	**274**	46	**137**	31
	15,890	15,265	**22,561**	20,553

(a) All of the Group's trade and other payables are expected to be settled within one year or are repayable on demand except for an amount of HK$715 million (2012: HK$658 million) which is expected to be settled after more than one year. Included in the abovementioned balance was an amount of HK$25 million which is unsecured and interest-bearing at 2.92% per annum (2012: Nil).

(b) All of the Company's trade and other payables are expected to be settled within one year or are repayable on demand except for an amount of HK$22,405 million (2012: HK$20,495 million) which is expected to be settled after more than one year (see note 19).

(c) At the balance sheet date, the ageing analysis of trade creditors (which are included in trade and other payables) is as follows:

	The Group		The Company	
	2013 HK$ million	2012 HK$ million	**2013 HK$ million**	2012 HK$ million
Due within 1 month or on demand	**1,965**	1,775	**–**	–
Due after 1 month but within 3 months	**1,475**	1,000	**–**	–
Due after 3 months but within 6 months	**284**	187	**–**	–
Due after 6 months	**2,250**	1,264	**–**	–
	5,974	4,226	**–**	–

(d) The amounts due to associates and joint ventures are unsecured, interest-free and have no fixed terms of repayment.

30 Bank loans and overdrafts

At 31 December 2013, bank loans and overdrafts were repayable as follows:

	The Group	
	2013 HK$ million	2012 HK$ million
Within 1 year and included in current liabilities	**5,514**	2,826
After 1 year and included in non-current liabilities		
– After 1 year but within 2 years	**12,588**	3,980
– After 2 years but within 5 years	**9,554**	14,970
– After 5 years	**916**	1,541
	23,058	20,491
	28,572	23,317

At 31 December 2013, the bank loans and overdrafts were unsecured and analysed as follows:

	The Group	
	2013 HK$ million	2012 HK$ million
Unsecured bank loans	**28,469**	23,235
Bank overdrafts (note 28)	**103**	82
	28,572	23,317

Certain of the Group's banking facilities are subject to the fulfilment of covenants relating to certain of the Group's balance sheet ratios and minimum net assets requirement, as are commonly found in lending arrangements with financial institutions. Any breach of the covenants by the Group would result in the drawdown facilities to become repayable on demand. The Group regularly monitors its compliance with these covenants. Further details of the Group's management of liquidity risk are set out in note 4(b). At 31 December 2013 and 2012, none of the covenants relating to the drawdown facilities had been breached.

31 Guaranteed notes

	The Group	
	2013 HK$ million	2012 HK$ million
Guaranteed notes due 2014 – 2022	**3,159**	3,145
Guaranteed notes due 2019	**3,860**	3,856
Guaranteed notes issued pursuant to the Medium Term Note Programme	**11,194**	11,300
	18,213	18,301

31 Guaranteed notes (continued)

At 31 December 2013, the guaranteed notes were repayable as follows:

	The Group	
	2013 HK$ million	2012 HK$ million
Within 1 year and included in current liabilities	**1,904**	–
After 1 year and included in non-current liabilities		
– After 1 year but within 2 years	**–**	1,903
– After 2 years but within 5 years	**9,384**	8,227
– After 5 years	**6,925**	8,171
	16,309	18,301
	18,213	18,301

(a) Guaranteed notes due 2014 – 2022

On 25 July 2007, the Company through a wholly-owned subsidiary issued guaranteed loan notes (the "2007 Notes") with aggregate principal amounts of US$325 million and £50 million under private placements in the United States of America and in Europe. The 2007 Notes with principal amounts of US$315 million and £50 million bear fixed interest rates ranging from 6.06% to 6.38% per annum payable semi-annually in arrears and the remaining 2007 Notes with principal amount of US$10 million bear floating rate by reference to 3-month London Interbank Offered Rate payable quarterly in arrears. The 2007 Notes are guaranteed by the Company and will mature between 25 July 2014 and 25 July 2022.

(b) Guaranteed notes due 2019

On 17 September 2009, the Company through a wholly-owned subsidiary issued guaranteed notes (the "2009 Notes") with an aggregate principal amount of US$500 million at an issue price equal to 99.795% of the principal amount of the 2009 Notes. The 2009 Notes bear fixed interest rate at 5.50% per annum payable semi-annually in arrears. The 2009 Notes are guaranteed by the Company and will mature on 17 September 2019.

(c) Guaranteed notes issued pursuant to the Medium Term Note Programme (the "Programme")

The carrying amount of the guaranteed notes outstanding at 31 December 2013 includes the following guaranteed notes issued by the Group under the Programme established on 30 August 2011:

(i) On 19 September 2011, the Company through a wholly-owned subsidiary issued guaranteed notes with an aggregate principal amount of S$200 million. These notes bear fixed coupon rate of 4.00% per annum payable semi-annually in arrears, are guaranteed by the Company and will mature on 19 September 2018.

(ii) On 23 September 2011, the Company through a wholly-owned subsidiary issued guaranteed notes with an aggregate principal amount of HK$220 million. These notes bear a fixed coupon rate of 4.03% per annum payable quarterly in arrears, are guaranteed by the Company and will mature on 23 September 2021.

(iii) On 26 September 2011, the Company through a wholly-owned subsidiary issued guaranteed notes with an aggregate principal amount of HK$656 million. These notes bear a fixed coupon rate of 4.03% per annum payable quarterly in arrears, are guaranteed by the Company and will mature on 27 September 2021.

31 Guaranteed notes (continued)

(c) Guaranteed notes issued pursuant to the Medium Term Note Programme (the "Programme") (continued)

(iv) On 20 October 2011, the Company through a wholly-owned subsidiary issued guaranteed notes with an aggregate principal amount of US$10 million. These notes bear a fixed coupon rate of 5.20% per annum payable annually in arrears, are guaranteed by the Company and will mature on 20 October 2026.

(v) On 28 October 2011, the Company through a wholly-owned subsidiary issued guaranteed notes with an aggregate principal amount of HK$250 million. These notes bear a fixed coupon rate of 4.03% per annum payable annually in arrears, are guaranteed by the Company and will mature on 28 October 2021.

(vi) On 10 November 2011, the Company through a wholly-owned subsidiary issued guaranteed notes with an aggregate principal amount of HK$309 million. These notes bear a fixed coupon rate of 4.80% per annum payable quarterly in arrears, are guaranteed by the Company and will mature on 10 November 2031.

(vii) On 11 November 2011, the Company through a wholly-owned subsidiary issued guaranteed notes with an aggregate principal amount of S$200 million. These notes bear a fixed coupon rate of 3.865% per annum payable semi-annually in arrears, are guaranteed by the Company and will mature on 11 November 2016.

(viii) On 14 February 2012, the Company through a wholly-owned subsidiary issued guaranteed notes with an aggregate principal amount of US$400 million. These notes bear a fixed coupon rate of 4.75% per annum payable semi-annually in arrears, are guaranteed by the Company and will mature on 14 February 2017.

(ix) On 15 February 2012, the Company through a wholly-owned subsidiary issued guaranteed notes with an aggregate principal amount of S$200 million. These notes bear a fixed coupon rate of 3.65% per annum payable semi-annually in arrears, are guaranteed by the Company and will mature on 15 February 2016.

(x) On 22 February 2012, the Company through a wholly-owned subsidiary issued guaranteed notes with an aggregate principal amount of US$300 million. These notes bear a fixed coupon rate of 4.75% per annum payable semi-annually in arrears, are guaranteed by the Company and will mature on 14 February 2017.

(xi) On 13 March 2012, the Company through a wholly-owned subsidiary issued guaranteed notes with an aggregate principal amount of HK$500 million. These notes bear a fixed coupon rate of 2.16% per annum payable quarterly in arrears, are guaranteed by the Company and will mature on 13 March 2014.

(xii) On 20 March 2012, the Company through a wholly-owned subsidiary issued guaranteed notes with an aggregate principal amount of HK$140 million. These notes bear a fixed coupon rate of 2.16% per annum payable quarterly in arrears, are guaranteed by the Company and will mature on 13 March 2014.

32 Amount due to a fellow subsidiary

Except for the amount of HK$1,261 million (2012: HK$546 million) which is expected to be settled within one year, the remaining amount due to a fellow subsidiary is unsecured, interest-bearing and is not expected to be settled within one year with no fixed terms of repayment.

33 Capital and reserves

(a) Movements in components of equity

The reconciliation between the opening and closing balances of each component of the Group's consolidated equity is set out in the consolidated statement of changes in equity. Details of changes in the Company's individual components of equity between the beginning and the end of the year are set out below:

The Company

	Note	Share capital HK$ million	Share premium HK$ million	Capital redemption reserve HK$ million	Retained profits HK$ million	Total HK$ million
Balance at 1 January 2012		4,738	41,807	20	68,561	115,126
Changes in equity for 2012:						
Profit and total comprehensive income for the year	12	–	–	–	2,731	2,731
Dividend approved in respect of the previous financial year	13(b)	–	–	–	(1,658)	(1,658)
Dividend declared and paid in respect of the current year	13(a)	–	–	–	(768)	(768)
Shares issued in respect of scrip dividends	33(b)	92	1,899	–	–	1,991
Balance at 31 December 2012 and 1 January 2013		4,830	43,706	20	68,866	117,422
Changes in equity for 2013:						
Profit and total comprehensive income for the year	12	**–**	**–**	**–**	**2,340**	**2,340**
Dividend approved in respect of the previous financial year	13(b)	**–**	**–**	**–**	**(1,787)**	**(1,787)**
Dividend declared and paid in respect of the current year	13(a)	**–**	**–**	**–**	**(859)**	**(859)**
Shares issued in respect of scrip dividends	33(b)	**86**	**1,903**	**–**	**–**	**1,989**
Issue of bonus shares	33(b)	**482**	**(482)**	**–**	**–**	**–**
Balance at 31 December 2013		**5,398**	**45,127**	**20**	**68,560**	**119,105**

33 Capital and reserves (continued)

(b) Share capital

	The Group and the Company			
	Number of shares		Amount	
	2013	2012	**2013**	2012
	million	million	**HK$ million**	HK$ million
Ordinary shares of HK$2 each (each being a "Share")				
Authorised:	**5,000**	5,000	**10,000**	10,000
Issued and fully paid:				
At 1 January	**2,415**	2,369	**4,830**	4,738
Shares issued in respect of scrip dividends	**43**	46	**86**	92
Issue of bonus shares	**241**	–	**482**	–
At 31 December	**2,699**	2,415	**5,398**	4,830

(i) Shares issued in respect of scrip dividends

On 15 July 2013, the Company issued and allotted 27,226,787 Shares at an issue price of HK$46.34 per share in respect of the final dividend for the year ended 31 December 2012 under the scrip dividend scheme. Except for the entitlement to the said final dividend, the 27,226,787 Shares issued rank pari passu in all respects with the then existing Shares.

On 17 October 2013, the Company issued and allotted 15,442,515 Shares at an issue price of HK$47.09 per share in respect of the interim dividend for the six months ended 30 June 2013 under the scrip dividend scheme. Except for the entitlement to the said interim dividend, the 15,442,515 Shares issued rank pari passu in all respects with the then existing Shares.

As a result, during the year ended 31 December 2013, the Company's share capital and share premium were in aggregate increased by approximately HK$86 million (2012: HK$92 million) and HK$1,903 million (2012: HK$1,899 million), respectively.

(ii) Issue of bonus issues

On 15 July 2013, an aggregate of 241,484,258 Shares were issued on the basis of one new share credited as fully paid for every ten shares held to shareholders whose names appeared on the Company's register of members on 11 June 2013. An amount standing to the credit of the share premium of the Company, representing the aggregate sum of the nominal value of such bonus shares of HK$482 million, was capitalised upon the issuance of such bonus shares on 15 July 2013.

33 Capital and reserves (continued)

(c) Nature and purpose of reserves

(i) Share premium and capital redemption reserve

The application of share premium account and the capital redemption reserve is governed by Sections 48B and 49H respectively of the Hong Kong Companies Ordinance.

(ii) Property revaluation reserve

The property revaluation reserve relates to other land and buildings. Where other land and buildings is reclassified to investment properties, the cumulative increase in fair value at the date of reclassification is included in the property revaluation reserve, and will be transferred to retained profits upon the retirement or disposal of the relevant property.

(iii) Exchange reserve

The exchange reserve comprises all foreign exchange differences arising from the translation of the accounts of foreign operations. The reserve is dealt with in accordance with the accounting policy set out in note 2(y).

(iv) Fair value reserve

The fair value reserve comprises the cumulative net change in the fair value of available-for-sale equity securities held at the balance sheet date and is dealt with in accordance with the accounting policies set out in notes 2(g) and 2(n)(i).

(v) Hedging reserve

The hedging reserve comprises the effective portion of the cumulative net change in the fair value of the hedging instruments used in cash flow hedges pending subsequent recognition of the hedged cash flow in accordance with the accounting policy adopted for cash flow hedges in note 2(i).

(vi) Other reserves

Other reserves comprise the statutory reserve set up for enterprises established in mainland China. According to the relevant rules and regulations in The People's Republic of China ("PRC") applicable to wholly foreign-owned enterprises, a wholly foreign-owned enterprise is required to transfer at least 10% of its profit after taxation, as determined under the PRC Accounting Regulations, to a reserve fund until the reserve fund balance reaches 50% of the relevant enterprise's registered capital.

(d) Distributability of reserves

At 31 December 2013, the aggregate amount of reserves available for distribution to equity shareholders of the Company was HK$68,560 million (2012: HK$68,866 million). After the balance sheet date, the directors proposed a final dividend of HK$0.74 (2012: HK$0.74) per ordinary share, amounting to HK$1,997 million (2012: HK$1,787 million) (see note 13). This dividend has not been recognised as a liability at the balance sheet date.

33 Capital and reserves (continued)

(e) Capital management

The Group's primary objectives when managing capital are to safeguard the Group's ability to continue as a going concern, so that the Group can continue to provide financial returns to shareholders, and by securing access to financing sources at reasonable costs.

The Group regularly reviews and manages its capital structure under the policy of financial management. The Group maintains a financially sound capital position and, where appropriate, makes adjustments to its capital structure in light of remarkable changes in the financial and capital markets and in economic conditions.

The Group monitors its capital structure on the basis of gearing ratio, which is one of the most commonly adopted measurement standards for capital management by companies engaged in the businesses of property development and property investment. Gearing ratio is calculated based on the net debt (being the aggregate of the Group's bank and other borrowings and the amount due to a fellow subsidiary ("Total debt") less cash and bank balances) and shareholders' funds of the Group at the balance sheet date.

During the year ended 31 December 2013, the Group's strategy, which was unchanged from that for the year ended 31 December 2012, was to secure long-term funding sources at attractive borrowing costs so as to finance the development of the Group's land bank in Hong Kong and mainland China in the coming years. The Group continued to maintain a low gearing ratio during the year, which has the effect of minimising any unfavourable impact on the Group arising from any unforeseeable adverse changes in the local and/or international financial markets, capital markets and economic conditions.

The Group's gearing ratios at 31 December 2013 and 2012 were as follows:

	2013 HK$ million	2012 HK$ million
Bank and other borrowings (including guaranteed notes) repayable:		
– Within 1 year	**7,418**	2,826
– After 1 year but within 2 years	**12,588**	5,883
– After 2 years but within 5 years	**18,938**	23,197
– After 5 years	**7,841**	9,712
Amount due to a fellow subsidiary	**5,474**	6,125
Total debt	**52,259**	47,743
Less: Cash and bank balances	**13,915**	12,538
Net debt	**38,344**	35,205
Shareholders' funds *(2012 – restated)*	**223,402**	205,163
Gearing ratio (%)	**17.2%**	17.2%

Except for a wholly-owned subsidiary of the Company which is engaged in the provision of finance, neither the Company nor any of its other subsidiaries was subject to externally imposed capital requirements during the year and at 31 December 2013.

34 Acquisition and disposal of subsidiaries

(a) Acquisition of subsidiaries

During the year ended 31 December 2013, the Group acquired certain subsidiaries and the major acquisitions during the year were as follows:

On 5 September 2013, the Group acquired the issued share capital and the shareholder's loan of a company from Jetwin International Limited, which is controlled by a private family trust of a director of the Company, for a cash consideration of HK$23 million.

On 23 December 2013, the Group acquired from Miramar Hotel and Investment Company, Limited, a listed associate of the Group, its entire interests in and shareholder's loans to two subsidiaries which are engaged in property rental and beneficial ownership of certain properties in Hong Kong, for an aggregate cash consideration of HK$92 million.

The fair value of the assets acquired and the liabilities assumed for all of the Group's acquisition of subsidiaries were as follows:

	The Group	
	2013 HK$ million	2012 HK$ million
Inventories	**117**	292
Debtors, prepayments and deposits	**5**	–
Creditors and accrued expenses	**–**	(1)
Deferred tax liabilities (note 11(c))	**(3)**	(36)
Net assets and total consideration	**119**	255
Representing:		
Cash consideration paid	**119**	255
	119	255
Net cash outflow in respect of the acquisition:		
Cash consideration paid	**(119)**	(255)
	(119)	(255)

34 Acquisition and disposal of subsidiaries (continued)

(b) Disposal of subsidiaries

The Group disposed of certain subsidiaries during the years ended 31 December 2013 and 2012. The disposal had the following effect on the Group's assets and liabilities:

	The Group	
	2013 HK$ million	2012 HK$ million
Fixed assets (note 17(a))	**1,084**	359
Inventories	**114**	–
Trade and other receivables	**2**	–
Rental and other deposits	**(15)**	(4)
Creditors and accrued expenses	**(12)**	(1)
Net assets	**1,173**	354
Professional charges	**17**	4
Gain on disposal (note 7)	**667**	187
Total consideration	**1,857**	545
Representing:		
Cash consideration received	**929**	545
Instalment receivable	**928**	–
	1,857	545
Net cash inflow in respect of the disposal:		
Cash consideration received	**929**	545
Professional charges	**(17)**	(4)
	912	541

35 Transaction with non-controlling interests – acquisition of additional interest of a subsidiary

On 2 October 2013, the Group acquired an additional 1.33% of the issued shares of Henderson Investment Limited, a subsidiary of the Company, at a purchase consideration of HK$23 million. The carrying amount of the non-controlling interests in Henderson Investment Limited on the date of acquisition was HK$458 million. The Group recognised a decrease in non-controlling interests of HK$19 million and a decrease in equity attributable to equity shareholders of the Company of HK$4 million. The effect of changes in the ownership interest of Henderson Investment Limited as at the date of acquisition is summarised as follows:

	HK$ million
Consideration paid to non-controlling interests	23
Less: carrying amount of non-controlling interests acquired	19
Excess over carrying amount of non-controlling interests recognised within equity	4

36 Capital commitments

At 31 December 2013, the Group had capital commitments not provided for in these accounts as follows:

		The Group	
		2013 HK$ million	2012 HK$ million
(a)	Contracted for acquisition of property and future development expenditure and the related costs of internal fixtures and fittings	**9,223**	10,540
	Future development expenditure and the related costs of internal fixtures and fittings approved by the directors but not contracted for	**18,119**	20,840
		27,342	31,380
(b)	In relation to the capital commitments undertaken by joint ventures attributable to the Group:		
	Contracted for acquisition of property and future development expenditure and the related costs of internal fixtures and fittings	**2,305**	956
	Future development expenditure and the related costs of internal fixtures and fittings approved by the directors but not contracted for	**146**	–
		2,451	956

37 Significant leasing arrangements

At 31 December 2013, the Group is both a lessor and a lessee under operating leases. Details of the Group's commitments under non-cancellable operating leases are set out as follows:

(a) Lessor

The Group leases out a number of land/building facilities under operating leases. The leases typically run for an initial period of one to six years, with an option to renew the lease after that date at which time all terms are re-negotiated. Further details of the carrying value of the properties are contained in note 17.

The total future minimum lease payments under non-cancellable operating leases are receivable as follows:

	The Group	
	2013 HK$ million	2012 HK$ million
Within 1 year	**4,138**	4,005
After 1 year but within 5 years	**4,340**	4,193
After 5 years	**612**	587
	9,090	8,785

37 Significant leasing arrangements (continued)

(b) Lessee

The Group leases a number of building facilities under operating leases. The leases typically run for an initial period of one to five years, with an option to renew the lease after that date at which time all terms are re-negotiated.

The total future minimum lease payments under non-cancellable operating leases are payable as follows:

	The Group	
	2013 HK$ million	2012 HK$ million
Within 1 year	**140**	199
After 1 year but within 5 years	**33**	120
	173	319

38 Contingent liabilities

At 31 December 2013, contingent liabilities of the Group and of the Company were as follows:

	The Group		The Company	
	2013 HK$ million	2012 HK$ million	**2013 HK$ million**	2012 HK$ million
(a) Guarantees given by the Company to banks to secure banking facilities of subsidiaries	**–**	–	**28,524**	23,188
(b) Guarantees given by the Company to the holders of guaranteed notes issued by subsidiaries	**–**	–	**18,213**	18,301
	–	–	**46,737**	41,489

(c) In connection with the sale of certain subsidiaries and shareholders' loans to Sunlight Real Estate Investment Trust ("Sunlight REIT") (the "Sale") in December 2006, the Group entered into Deeds of Tax Covenant with Sunlight REIT. Under the Deeds of Tax Covenant, the Group has undertaken to indemnify Sunlight REIT for any tax liabilities relating to events occurred on or before the completion of the Sale (the "Completion"), clawback of commercial building allowances and capital allowances granted up to the Completion and re-classification of the properties before the Completion. At 31 December 2013, the Group had contingent liabilities in this connection of HK$17 million (2012: HK$8 million).

(d) At 31 December 2013, the Company had contingent liabilities in respect of performance bonds to guarantee for the due and proper performance of the obligations undertaken by the Group's subsidiaries and projects amounting to HK$453 million (2012: HK$831 million).

(e) At 31 December 2013, the Company had given guarantees in the aggregate amount of HK$467 million (2012: HK$466 million) in respect of certain bank loans and borrowings entered into by an entity whose shares were held by the Company as available-for-sale equity securities at 31 December 2013.

38 Contingent liabilities (continued)

(f) At 31 December 2013, the Group had given guarantees to financial institutions in the aggregate amount of HK$1,303 million (2012: HK$479 million) on behalf of purchasers of property units in mainland China in relation to which the related Building Ownership Certificate (房產證) had not yet been issued at 31 December 2013. Such guarantees will be released upon the issuance of the Building Ownership Certificate.

39 Material related party transactions

In addition to the transactions and balances disclosed elsewhere in these accounts, the Group entered into the following material related party transactions during the year:

(a) Transactions with fellow subsidiaries

Details of material related party transactions during the year between the Group and its fellow subsidiaries are as follows:

	The Group	
	2013 HK$ million	2012 HK$ million
Sales commission income (note (iii))	**–#**	5#
Administration fee income (note (ii))	**7**	7
Other interest expense (note (i))	**318#**	212#

(b) Transactions with associates and joint ventures

Except as disclosed in note 34(a), details of material related party transactions during the year between the Group and its associates and joint ventures are as follows:

	The Group	
	2013 HK$ million	2012 HK$ million
Rental income (note (iii))	**1**	7
Other interest income (note (i))	**44**	52
Construction/repair and maintenance income (note (ii))	**406**	314
Security guard service fee income (note (iii))	**22**	18
Management fee income (note (iii))	**3**	10
Rental expenses (note (iii))	**136**	134
Venue-related expenses (note (iii))	**44**	45

39 Material related party transactions (continued)

(c) Transactions with related companies

Except as disclosed in note 34(a), details of material related party transactions during the year between the Group and its related companies which are controlled by private family trusts of a director of the Company are as follows:

	The Group	
	2013 HK$ million	2012 HK$ million
Venue-related income (note (ii))	**–**	4#
Rental income (note (iii))	**14**	8
Tax indemnity receipt	**4**	84#

Notes:

(i) Interest income and expense are calculated on the balance of loans outstanding from time to time by reference to Hong Kong Interbank Offered Rate, Hong Kong dollar prime rate or Renminbi benchmark loan rates announced by the People's Bank of China.

(ii) These transactions represent cost reimbursements or cost reimbursements plus certain percentage thereon as service fees.

(iii) These transactions were carried out on normal commercial terms and in the ordinary course of business.

(iv) The amount due to a fellow subsidiary at 31 December 2013 and 2012 is referred to in the Group's consolidated balance sheet at 31 December 2013 and 2012, and the terms of which are set out in note 32. The amounts due from/to associates and joint ventures at 31 December 2013 and 2012 are set out in notes 20, 21, 26 and 29.

(d) Transactions with Sunlight REIT

Details of the material related party transactions during the year between the Group and Sunlight REIT (which is deemed as a connected person of the Company under the Listing Rules as from 30 April 2009) are as follows:

	The Group	
	2013 HK$ million	2012 HK$ million
Rental expenses	**9**	8
Property and leasing management service fee income and other ancillary property service fee income	**45#**	40#
Asset management service fee income	**75#**	69#
Security service fee income	**2#**	2#

The above transactions are conducted in accordance with the terms of respective agreements/deeds entered into between the Group and Sunlight REIT. At 31 December 2013, the amount due from Sunlight REIT was HK$26 million (2012: HK$25 million) and is unsecured, interest-free and has no fixed terms of repayment. The amount is included in "Trade and other receivables" under current assets (note 26).

39 Material related party transactions (continued)

(e) Transactions with a company owned by a director of the Company

Mr Lee Ka Kit, a director of the Company, through a company owned by him (the "entity") has separate interest in an associate of the Group and through which the Group holds its interest in a development project in mainland China. The entity agreed to provide and had provided finance in the form of non interest-bearing advances to such associate in accordance with the percentage of its equity interest in such associate.

At 31 December 2013, the advance by the entity to the abovementioned associate amounted to HK$80 million# (2012: HK$80 million#). Such amount is unsecured and has no fixed terms of repayment.

(f) Key management personnel

Remuneration for key management personnel are disclosed in note 9.

These related party transactions also constitute connected transactions and/or continuing connected transactions under the Listing Rules, details of which are set out in the paragraph headed "Interests in contracts and continuing connected transactions" in the Report of the directors set out in the Company's annual reports for the years ended 31 December 2013 and 2012.

40 Non-adjusting post balance sheet event

After the balance sheet date, the directors proposed a final dividend. Further details are disclosed in note 13.

41 Comparative figures

As a result of the application of revised HKAS 19, *Employee benefits*, certain comparative figures have been adjusted to conform to current year's presentation. Further details of these developments are disclosed in note 2(b).

42 Immediate parent and ultimate controlling party

At 31 December 2013, the directors consider that the immediate parent and ultimate controlling party of the Group to be Henderson Development Limited, which is incorporated in Hong Kong. Henderson Development Limited does not produce accounts available for public use.

Principal Subsidiaries

at 31 December 2013

Details of the principal subsidiaries are as follows:

	Note	Particulars of issued shares Number of ordinary shares	Par value HK$	% of shares held by The Company	Subsidiaries
(a) Property development					
(i) Incorporated and operates in Hong Kong					
Bright Gold Limited					
– Ordinary shares		2	1	–	100
– Non-voting deferred shares		2	1	–	100
Carley Limited		2	1	–	100
Dili Investment Limited	I	500	100	100	–
Gainbo Limited	I	2	1	–	100
Gentway Limited	I	1	1	–	100
Global Crystal Limited	I	1	1	–	100
Harvest Development Limited		840	1	–	82.86
Hung Shun Investment Company Limited	I				
– Ordinary shares		2	100	–	100
– Non-voting deferred shares		20,000	100	–	100
Landrich Development Limited	I	1,000	1	–	100
Nation Million Development Limited	I	2	1	–	100
Nation Sheen Limited	I	2	1	–	100
Nation Star Development Limited		2	1	–	100
New Cheer Development Limited	I	1,000	1	–	100
Onfine Development Limited	I	2	1	–	100
Perfect Success Development Limited		2	1	–	100
Rich Silver Development Limited		2	1	–	100
Rise Cheer Investment Limited	I	1	1	–	100
Supreme Hero Limited	I	1	1	–	100
Triple Glory Limited	I	1	1	–	100
Union Citizen Limited	I	1	1	–	100
Victory Well Development Limited		2	1	–	100
Winjoy Development Limited	I	2	1	100	–

	Issued/ contributed registered capital	% of equity interest held by The Company	Subsidiaries	% of profit sharing by subsidiaries
(ii) Established and operates in mainland China				
Sino-Foreign Co-operative Joint Venture Enterprises				
Beijing Gaoyi Property Development Co., Ltd.	US$81,000,000	–	100	100
Beijing Henderson Properties Co., Ltd.	RMB655,000,000	–	100	100

	Note	Particulars of issued shares Number of ordinary shares	Par value HK$	% of shares held by The Company	Subsidiaries
(b) Property investment					
Incorporated and operates in Hong Kong					
Bloomark Investment Limited	I	2	1	–	100
Carry Express Investment Limited	I	10,000	10	–	100
Deland Investment Limited	I	2	100	–	100
Easewin Development Limited		2	1	–	100
Evercot Enterprise Company Limited	I				
– A Shares		500	100	100	–
– B Shares		2	100	–	–
Intelligent House Limited	I	2	1	–	100
Join Fortune Development Limited	I				
– A Shares		100	1	100	–
– B Shares		2	1	–	–
Millap Limited	I	2	1	100	–
Shung King Development Company Limited	I				
– A Shares		2	1	100	–
– Non-voting deferred A shares		20,000	100	100	–
– B Shares		2	1	–	–
Union Fortune Development Limited	I	10,000	1	–	100

	Note	Particulars of issued shares Number of ordinary shares	Par value HK$	% of shares held by The Company	Subsidiaries
(c) Finance					
(i) Incorporated and operates in Hong Kong					
Ever Supreme Development Limited		1	1	–	100
Henderson (China) Finance Limited	I	10,000	1	–	100
Henderson International Finance Limited		250,000	100	100	–
Henderson Land Credit (2010) Limited	I	1	1	–	100
Henderson Land Credit (2014) Limited		1	1	–	100
Henderson Land Finance (2011) Limited	I	1	1	–	100
Henland Finance Limited	I	1,000,000	1	–	100
Post East Finance Company Limited		2	1	–	100
Rich Chase Development Limited	I	2	1	–	100
Success Crown Development Limited		2	1	–	100
(ii) Incorporated and operates in the British Virgin Islands					
Henderson Land Finance Limited		1	–	100	–
Henderson Land MTN Limited	I	1	–	–	100
Henland Finance (2012) Limited		1	–	–	100
Henson Finance Limited	I	1	US$1	–	100
St. Helena Holdings Co. Limited		3	US$1	–	100
(iii) Incorporated in Singapore and operates in Hong Kong					
Henderson Land MTN (S) Pte. Limited	I	1	US$1	–	100

	Note	Particulars of issued shares Number of ordinary shares	Par value HK$	% of shares held by The Company	Subsidiaries
(d) Construction					
Incorporated and operates in Hong Kong					
E Man Construction Company Limited		350,000	100	100	–
Ginca Construction Machinery Limited		1	1	–	100
Granbo Construction Company Limited		1	1	–	100
Heng Lai Construction Company Limited		2	1	–	100
Heng Shung Construction Company Limited		2	1	–	100
Heng Tat Construction Company Limited		2	100	–	100

	Note	Particulars of issued shares Number of ordinary shares	Par value HK$	% of shares held by The Company	Subsidiaries
(e) Property management					
Incorporated and operates in Hong Kong					
Beverly Hill (Estate Management) Limited		2	1	–	100
Flora Plaza Management Limited		10	1	–	60
Goodwill Management Limited		2	1	–	100
Hang On Estate Management Limited		2	1	–	100
Hang Yick Properties Management Limited		100,000	100	100	–
Henderson Sunlight Asset Management Limited	I	38,800,000	1	–	100
Henderson Sunlight Property Management Limited	I	1	1	–	100
Metro City Management Limited		2	1	–	100
Metro Harbourview Management Limited		2	1	–	100
Star Management Limited		2	1	–	100
Sunshine City Property Management Limited		2	1	–	100
Well Born Real Estate Management Limited		2	1	100	–

	Note	Particulars of issued shares Number of ordinary shares	Par value HK$	% of shares held by The Company	Subsidiaries
(f) Investment holding					
(i) Incorporated and operates in Hong Kong					
Banshing Investment Limited		2	1	–	100
Channel Best Limited	I	1	1	–	100
China Investment Group Limited		300,000	1,000	–	100
Citiright Development Limited		2	1	100	–
Covite Investment Limited		2	1	–	100
Darnman Investment Limited		2	1	–	100
Disralei Investment Limited					
– Ordinary shares		2	1	–	100
– Non-voting deferred shares		1,000	1	–	100
Fondoll Investment Limited		2	100	100	–
Gainwise Investment Limited		2	1	–	100
Graf Investment Limited	I				
– Ordinary shares		2	1	–	100
– Non-voting deferred shares		2	100	–	100
Henderson China Properties Limited	I	3,000,000,000	1	–	100
Henderson Investment Limited		3,047,327,395	0.20	–	69.27
Macrostar Investment Limited					
– Ordinary shares		2	1	–	100
– Non-voting deferred shares		2	1	–	100
Main Champion Development Limited	I	2	1	100	–
Markshing Investment Limited		2	1	–	100
Medley Investment Limited					
– Ordinary shares		2	1	–	100
– Non-voting deferred shares		2	100	–	100
Mightymark Investment Limited		2	1	100	–
Mount Sherpa Limited	I				
– Ordinary shares		2	1	–	100
– Non-voting deferred shares		2	10	–	100
Paillard Investment Limited	I				
– Ordinary shares		2	1	–	100
– Non-voting deferred shares		2	100	–	100
Tactwin Development Limited	I	1,000	1	100	–
Wellfine Development Limited		55	1	100	–
Wiselin Investment Limited	I	2	1	–	100

	Note	Particulars of issued shares Number of ordinary shares	Par value HK$	% of shares held by The Company	Subsidiaries
(f) Investment holding (continued)					
(ii) Incorporated in Hong Kong and operates in mainland China					
Hang Seng Quarry Company Limited	I	10,000	1	64	–
(iii) Incorporated and operates in the British Virgin Islands					
Cobase Limited	I	1	–	–	100
Comax Investment Limited		1	–	–	100
Higgins Holdings Limited	I	1	US$1	–	100
Hinlon Limited		1	US$1	–	100
Multiglade Holdings Limited	I	1	US$1	–	100
Richful Resources Limited	I	1	–	–	100
Starland International Limited	I	1	US$1	100	–
Sunnice Investment Limited		1	–	–	100
Threadwell Limited	I	1	US$1	–	100

	Note	Particulars of issued shares Number of ordinary shares	Par value HK$	% of shares held by The Company	Subsidiaries
(g) Department store operations					
Incorporated and operates in Hong Kong					
Citistore (Hong Kong) Limited	I	1	1	–	100

	Note	Particulars of issued shares Number of ordinary shares	Par value HK$	% of shares held by The Company	Subsidiaries
(h) Hotel management and operations					
Incorporated and operates in Hong Kong					
Henderson Hotel Management Limited	I				
– Ordinary shares		2	1	–	100
– Non-voting deferred shares		2	1	–	100
Newton Hotel Hong Kong Limited	I				
– Ordinary shares		2	1	–	100
– Non-voting deferred shares		2	1	–	100
Newton Inn (North Point) Limited	I	2	1	100	–
Newton Place Hotel Limited	I	1	1	–	100

	Note	Particulars of issued shares Number of ordinary shares	Par value HK$	% of shares held by The Company	Subsidiaries
(i) Management and agency services					
Incorporated and operates in Hong Kong					
Henderson Leasing Agency Limited	I	1	1	–	100
Henderson Property Agency Limited		200,000	1	–	100
Henderson Real Estate Agency Limited	I	2	100	100	–

	Note	Particulars of issued shares Number of ordinary shares	Par value HK$	% of shares held by The Company	Subsidiaries
(j) Professional services and others					
Incorporated and operates in Hong Kong					
Hang Oi Charitable Foundation Limited		–	–	–	100
Henderson Warmth Foundation Limited		–	–	100	–
Megastrength Security Services Company Limited	I				
– Ordinary shares		10,000	1	–	100
– Non-cumulative preference shares		400	1	–	100
Standard Win Limited	I	1	1	–	100

	Issued/ contributed registered capital RMB	% of equity interest held by The Company	Subsidiaries	% of profit sharing by subsidiaries
(k) Infrastructure				
Established and operates in mainland China				
Sino-Foreign Equity Joint Venture Enterprise				
Hangzhou Henderson Qianjiang Third Bridge Company, Limited	200,000,000	–	60	60
Sino-Foreign Co-operative Joint Venture Enterprise				
Tianjin Jinning Roads Bridges Construction Development Company Limited	23,680,000	–	70	70

Note:

I Companies audited by KPMG.

The above list gives the principal subsidiaries of the Group which, in the opinion of the directors, materially affect the profit or assets of the Group.

Principal Associates

at 31 December 2013

Details of the principal associates, which are incorporated and operate in Hong Kong unless otherwise stated, are as follows:

	% of equity interest held by The Company	Subsidiaries	Principal activities
Listed			
Hong Kong Ferry (Holdings) Company Limited	–	33.33	Property development and investment
Miramar Hotel and Investment Company, Limited	–	45.08	Hotel operation, property investment, food and beverage operation and travel operation
The Hong Kong and China Gas Company Limited	–	41.50	Production, distribution and marketing of gas, water supply and emerging environmentally-friendly energy business
Unlisted			
Star Play Development Limited	–	33.33	Property investment

The above list gives the principal associates of the Group which, in the opinion of the directors, significantly affect the profit or assets of the Group.

Principal Joint Ventures

at 31 December 2013

Details of the principal joint ventures, which are incorporated and operate in Hong Kong unless otherwise stated, are as follows:

	% of equity interest held by The Company	Subsidiaries	Principal activities
Billion Ventures Limited (incorporated in the British Virgin Islands and operates in Hong Kong)	–	50	Investment holding
Central Waterfront Property Investment Holdings Limited (incorporated in the British Virgin Islands and operates in Hong Kong)	–	34.21	Investment holding
Double Cove Management Limited	–	50	Provision of property management services
Long Global Investment (Chengdu) Limited (established and operates in mainland China)	–	30	Property development
Lucky Gain Development Limited	50	–	Property development
Newfoundworld Holdings Limited	–	20	Property investment and hotel operation
Special Concept Development Limited	–	25	Property development
Surbana-Henderson (Xian) Property Development Co., Ltd. (established and operates in mainland China)	–	50	Property development
Surbana-Henderson II (Xian) Property Development Co., Ltd. (established and operates in mainland China)	–	50	Property development
Teamfield Property Limited	–	49.18	Property development
The Reach Management Limited	–	50	Provision of property management services

The above list gives the principal joint ventures of the Group which, in the opinion of the directors, significantly affect the profit or assets of the Group.

Corporate Information

Board of Directors

Executive Directors

Dr Lee Shau Kee
(Chairman and Managing Director)
Lee Ka Kit *(Vice Chairman)*
Lam Ko Yin, Colin *(Vice Chairman)*
Lee Ka Shing (Vice Chairman)
Yip Ying Chee, John
Suen Kwok Lam
Lee King Yue
Fung Lee Woon King
Lau Yum Chuen, Eddie
Li Ning
Kwok Ping Ho
Wong Ho Ming, Augustine

Non-executive Directors

Lee Pui Ling, Angelina
Lee Tat Man

Independent Non-executive Directors

Kwong Che Keung, Gordon
Professor Ko Ping Keung
Wu King Cheong
Woo Ka Biu, Jackson
Leung Hay Man
Professor Poon Chung Kwong
Dr Chung Shui Ming, Timpson
Au Siu Kee, Alexander

Audit Committee

Kwong Che Keung, Gordon
Professor Ko Ping Keung
Wu King Cheong
Leung Hay Man

Remuneration Committee

Wu King Cheong
Dr Lee Shau Kee
Lam Ko Yin, Colin
Kwong Che Keung, Gordon
Professor Ko Ping Keung

Nomination Committee

Dr Lee Shau Kee
Lam Ko Yin, Colin
Kwong Che Keung, Gordon
Professor Ko Ping Keung
Wu King Cheong

Corporate Governance Committee

Dr Chung Shui Ming, Timpson
Leung Hay Man
Professor Poon Chung Kwong

Company Secretary

Liu Cheung Yuen, Timon

Registered Office

72-76/F, Two International Finance Centre
8 Finance Street, Central
Hong Kong

Telephone	:	(852) 2908 8888
Facsimile	:	(852) 2908 8838
Internet	:	http://www.hld.com
E-Mail	:	henderson@hld.com

Registrar

Computershare Hong Kong Investor Services Limited
46th Floor, Hopewell Centre
183 Queen's Road East
Wanchai
Hong Kong

Share Listing

The Stock Exchange of Hong Kong Limited (Stock Code: 12)

Shares are also traded in the United States through an American Depositary Receipt Level 1 Programme
(Ticker Symbol: HLDCY
CUSIP Reference Number: 425166303)

Authorised Representatives

Lam Ko Yin, Colin
Liu Cheung Yuen, Timon

Auditor

KPMG

Solicitors

Woo, Kwan, Lee & Lo
Lo & Lo

Principal Bankers

The Hongkong and Shanghai Banking Corporation Limited
Hang Seng Bank Limited
Bank of China (Hong Kong) Limited
The Bank of East Asia, Limited
Standard Chartered Bank

Group Executives

Lee Shau Kee
GBM, DBA (Hon), DSSc (Hon), LLD (Hon)
General Manager

Lee Ka Kit
JP
Deputy General Manager

Lam Ko Yin, Colin
FCILT, FHKIoD
Deputy General Manager

Lee Ka Shing
Deputy General Manager

Yip Ying Chee, John
LLB, FCIS
Assistant General Manager

Departmental Executives

Group Business Development Department
Yip Ying Chee, John
LLB, FCIS
Executive Director

Project Management (1) Department
Yu Wai Wai
JP, BA (AS), B Arch, HKIA, HonFHKIPM,
Authorized Person (Architect), Registered Architect (HK)
General Manager

Project Management (2) Department
Kwok Man Cheung, Victor
BA (AS), B Arch (Dist), MSc (Con P Mgt),
EMBA, FHKIA, MAPM, RIBA,
Authorized Person (Architect), Registered Architect (HK),
PRC Class 1 Registered Architect Qualification
General Manager

Siu Sing Yeung, Tony
B. Arch (Hons), HKIA,
Authorized Person (Architect), Registered Architect (HK),
PRC Class 1 Registered Architect Qualification
Senior Deputy General Manager

Property Development Department
Wong Ho Ming, Augustine
JP, MSc, MEcon, FHKIS, MRICS, MCIArb, RPS (GP)
Executive Director

Leung Shu Ki, Shuki
BA (Hons), MHKIP, MRTPI,
MCIP, RPP (HK), MCILT, MCIArb, AHKIArb
Deputy General Manager

Property Planning Department
Leung Kam Leung
MSc, PGDMS, FHKIS, FRICS, RPS (GP)
General Manager

Construction Department
Wong Wing Hoo, Billy
JP, BSc, FICE, FHKIE, FIHT, FHKIHT, RPE
General Manager

Engineering Department
Cheng Yuk Lun, Stephen
BSc(Eng), C Eng, MICE, MIStructE, MHKIE, RPE,
Registered Structural Engineer, Registered Geotechnical Engineer,
Authorized Person (List II), PRC Class 1 Registered Structural
Engineer Qualification
General Manager

Building Quality Planning Department
Lam Sik Kong, Eddy
General Manager

Sales Department
Wong Man Wa, Raymond
LLB., PCLL, Solicitor
Senior General Manager

Sales (1) Department
Lam Tat Man, Thomas
MEM(UTS), DMS, EHKIM, MHIREA,
CHINA GBL MANAGER
General Manager

Sales (2) Department
Hahn Ka Fai, Mark
BSc, MRICS, MHKIS, RPS (GP)
General Manager

China Sales Centre
Choi Ngai Min, Michael
JP
In Charge

Portfolio Leasing Department
Lee Pui Man, Margaret
BHum (Hons)
Senior General Manager

Sit Pak Wing, Patrick
ACIS, FHIREA
General Manager

Property Management Department
Suen Kwok Lam
JP, MH, FHIREA
Executive Director

Retail and Hotel Management Department
Li Ning
BSc, MBA
Executive Director

Comm. & Ind. Properties Department
Ng Ngok Kwan
General Manager

General Manager Department
Wong Kim Wing, Ball
BA(AS), B. Arch, PhD (Finance), FHKIA,
Registered Architect (HK), Authorized Person (List 1, HK)
Group Consultant

Ngai Tung Hai, Karsky
FRICS, MHKIS, AACI
Manager

Finance Department
Lau Yum Chuen, Eddie
Executive Director

Lee King Yue
Executive Director

Kwok Ping Ho
BSc, MSc, Post-Graduate Diploma in Surveying, ACIB
Executive Director

Cashier Department
Fung Lee Woon King
Treasurer

Human Resources Department
Lam Ko Yin, Colin
FCILT, FHKIoD
Executive Director

Wong Ying Kin, Frankie
MSc, MBA, BBA, DMS, MIHRM
General Manager

Company Secretarial Department
Liu Cheung Yuen, Timon
BEc, FCPA, CA (Aust), FCS, FCIS
General Manager

Accounts Department
Wong Wing Kee, Christopher
BSc (Econ), FCA
General Manager

Audit Department
Choi Kam Fai, Thomas
B Comm, CMA
General Manager

Information Technology Department
Au Tit Ying
BSc, Grad Dip Com (IS)
General Manager

Corporate Communications Department
Ngan Suet Fong, Bonnie
BBA
General Manager

Notice of Annual General Meeting

NOTICE IS HEREBY GIVEN THAT the Annual General Meeting of the Company will be held at the Four Seasons Grand Ballroom, Four Seasons Hotel, 8 Finance Street, Central, Hong Kong on Monday, 9 June 2014 at 11:30 a.m. to transact the following business:

1. To receive and consider the Audited Accounts and the Reports of the Directors and Auditor for the year ended 31 December 2013.

2. To declare a Final Dividend (with an option to receive new and fully paid shares in lieu of cash under the scrip dividend scheme).

3. To re-elect retiring Directors.

4. To re-appoint Auditor and authorise the Directors to fix Auditor's remuneration.

5. To consider as special business and, if thought fit, pass the following resolutions as Ordinary Resolutions:

(A) "**THAT** conditional upon the Listing Committee of The Stock Exchange of Hong Kong Limited granting listing of and permission to deal in the new shares of the Company to be issued pursuant to this Resolution, and upon the recommendation of the Directors, such number of new shares of the Company (the "Bonus Share(s)") which is equal to one-tenth of the total number of the issued shares in the Company on 17 June 2014 be allotted and issued without consideration to and among the shareholders of the Company whose names are on the register of members on 17 June 2014 on the basis of one Bonus Share for every ten shares in the Company held by such shareholders of the Company on such date, and that the Bonus Shares to be allotted and issued pursuant to this Resolution shall rank pari passu in all respects with the existing issued shares in the Company except that they will not be entitled to participate in any dividend declared or recommended by the Company in respect of the financial year ended 31 December 2013 and that the Directors be and are hereby authorised to deal with any fractions arising from the distribution by the sale of the Bonus Shares representing such fractions and to retain the net proceeds for the benefit of the Company and further that the Directors be and are hereby authorised to do all acts and things as may be necessary and expedient in connection with the issue of the Bonus Shares."

(B) "**THAT**:

(a) subject to paragraph (b) of this Resolution, the exercise by the Directors during the Relevant Period (as defined in paragraph (c) of this Resolution) of all the powers of the Company to repurchase ordinary shares of the Company on The Stock Exchange of Hong Kong Limited ("Stock Exchange") or on any other stock exchange on which the shares of the Company may be listed and recognised by the Stock Exchange and the Securities and Futures Commission for this purpose, subject to and in accordance with all applicable laws and the requirements of the Rules Governing the Listing of Securities on the Stock Exchange or of any other stock exchange as amended from time to time be and is hereby generally and unconditionally approved;

(b) the aggregate number of shares of the Company to be repurchased pursuant to the approval in paragraph (a) above shall not exceed 10 per cent. of the total number of the issued shares in the Company as at the date of this Resolution (subject to adjustment in the case of any conversion of all or any of the shares in the Company into a larger or smaller number of shares during the Relevant Period) and the said approval shall be limited accordingly; and

(c) for the purposes of this Resolution, "Relevant Period" means the period from the passing of this Resolution until whichever is the earliest of:

(i) the conclusion of the next Annual General Meeting of the Company;

(ii) the expiration of the period within which the next Annual General Meeting of the Company is required by the Articles of Association of the Company or the Companies Ordinance (Chapter 622 of the Laws of Hong Kong) to be held; and

(iii) the date on which the authority set out in this Resolution is revoked or varied by an ordinary resolution of the Shareholders in general meeting."

(C) "**THAT**:

(a) a general mandate be and is hereby generally and unconditionally given to the Directors to exercise during the Relevant Period (as hereinafter defined) all the powers of the Company to allot, issue and deal with additional shares of the Company, and to make or grant offers, agreements or options (including, without limitation, Rights Issue (as hereinafter defined), warrants, bonus warrants, bonds, debentures, notes and other securities convertible into shares in the Company), which would or might require the exercise of such powers either during or after the Relevant Period, provided that the aggregate number of the shares of the Company to be allotted, issued and dealt with pursuant to the general mandate herein, otherwise than pursuant to (i) a Rights Issue (as hereinafter defined), or (ii) any option scheme or similar arrangement for the time being adopted for the grant or issue to the employees of the Company and/or any of its subsidiaries of shares or rights to acquire shares of the Company, or (iii) an issue of shares in the Company upon the exercise of the subscription rights or conversion rights attaching to any warrants or convertible notes which may be issued by the Company or any of its subsidiaries, or (iv) any scrip dividend pursuant to the Articles of Association of the Company from time to time, shall not exceed 20 per cent. of the total number of shares in the Company in issue as at the date of this Resolution (subject to adjustment in the case of any conversion of all or any of the shares in the Company into a larger or smaller number of shares during the Relevant Period) and the said approval shall be limited accordingly; and

(b) for the purposes of this Resolution:

"Relevant Period" shall have the same meaning as assigned to it under Ordinary Resolution (B) of item no. 5 as set out in the notice convening this Meeting; and

"Rights Issue" means an offer of shares in the capital of the Company or issue of option, warrants or other securities giving the right to subscribe for shares of the Company, open for a period fixed by the Directors of the Company to holders of shares of the Company whose names appear on the Register of Members of the Company (and, where appropriate, to holders of other securities of the Company entitled to the offer) on a fixed record date in proportion to their then holdings of such shares (or, where appropriate, such other securities) as at that date (subject to such exclusions or other arrangements as the Directors of the Company may deem necessary or expedient in relation to fractional entitlements or having regard to any restrictions or obligations under the laws of, or the requirements of any recognised regulatory body or any stock exchange in any territory outside Hong Kong)."

(D) "**THAT**:

the general mandate granted to the Directors and for the time being in force to exercise the powers of the Company to allot, issue and deal with additional shares of the Company pursuant to Ordinary Resolution (C) of item no. 5 as set out in the notice convening this Meeting be and is hereby extended by the addition to the aggregate number of the shares which may be allotted, issued and dealt with or agreed conditionally or unconditionally to be allotted, issued and dealt with by the Directors pursuant to such general mandate the aggregate number of shares in the capital of the Company repurchased by the Company since the granting of the said general mandate pursuant to the exercise by the Directors of the powers of the Company to repurchase such shares under the authority granted pursuant to Ordinary Resolution (B) of item no. 5 as set out in the notice convening this Meeting provided that such number of shares shall not exceed 10 per cent. of the aggregate number of shares of the Company in issue as at the date of this Resolution (subject to adjustment in the case of any conversion of all or any of the shares in the Company into a larger or smaller number of shares during the Relevant Period)."

6. To consider as special business and, if thought fit, pass the following resolution as a Special Resolution:

"**THAT** the new articles of association (the "New Articles") of the Company, a copy of which has been produced to the Meeting marked "A" and for identification purpose signed by the Chairman of the Meeting, which, among other things, do not include any "objects" clauses, be and is hereby approved and adopted in substitution for and to the exclusion of the existing articles of association of the Company with immediate effect after the announcement by the Company of the poll result in respect of the passing of this special resolution and that the directors of the Company be and are hereby authorised to do all things necessary to implement the adoption of the New Articles."

By Order of the Board
Timon LIU Cheung Yuen
Company Secretary

Hong Kong, 23 April 2014

Registered Office:
72-76/F, Two International Finance Centre
8 Finance Street, Central
Hong Kong

Notes:

(1) At the above Meeting, the Chairman will exercise his power under Article 80 of the Articles of Association to put each of the resolutions to be voted by way of a poll.

(2) A Member of the Company entitled to attend and vote at the above Meeting is entitled to appoint one or more proxies to attend and speak and on a poll, to vote instead of him at the Meeting, and separate proxies may be appointed by a Member to represent the respective number of shares held by the Member as specified in the relevant proxy form. A proxy need not be a Member. Form of proxy and the power of attorney or other authority, if any, under which it is signed (or a notarially certified copy of that power of authority) must be lodged at the registered office of the Company at 72-76/F., Two International Finance Centre, 8 Finance Street, Central, Hong Kong not less than 48 hours before the time appointed for holding the Meeting.

(3) For the purpose of determining Shareholders who are entitled to attend and vote at the above Meeting, the Register of Members of the Company will be closed from Thursday, 5 June 2014 to Monday, 9 June 2014, both days inclusive, during which period no transfer of shares will be registered. In order to qualify for attending the above Meeting, all transfer documents accompanied by the relevant share certificates must be lodged with the Company's Registrar, Computershare Hong Kong Investor Services Limited, Rooms 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong not later than 4:30 p.m. on Wednesday, 4 June 2014.

(4) For the purpose of determining Shareholders who qualify for the proposed issue of final dividend and Bonus Shares, the Register of Members of the Company will be closed from Friday, 13 June 2014 to Tuesday, 17 June 2014, both days inclusive, during which period no transfer of shares will be registered. In order to qualify for the proposed issue of final dividend and Bonus Shares, all transfer documents accompanied by the relevant share certificates must be lodged for registration with the Company's Registrar, Computershare Hong Kong Investor Services Limited, Rooms 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong not later than 4:30 p.m. on Thursday, 12 June 2014. The proposed issue of final dividend and Bonus Shares will be distributed to Shareholders whose names appeared on the Register of Members of the Company on Tuesday, 17 June 2014.

(5) A circular containing details of the proposed adoption of new Articles of Association and Ordinary Resolutions (A) and (B) (including the relevant explanatory statement) of item 5 above, and a circular containing the proposed scrip dividend scheme will be sent to members for perusal.

(6) Concerning Ordinary Resolutions (C) and (D) of item 5 above, approval is being sought from Members, as a general mandate in compliance with Sections 140 and 141 of the Companies Ordinance and the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, that in the event it becomes desirable for the Company to issue any new shares of the Company, the Directors are given flexibility and discretion to allot and issue new shares up to 20 per cent. of the issued aggregate number of shares plus the number of shares repurchased by the Company pursuant to the general mandate approved in Ordinary Resolution (B) of item 5 above. Save as disclosed (if any), the Directors, however, have no immediate plans to issue any new shares of the Company under the said mandate being sought.

(7) If Resolutions 2 and 5(A) above are approved, the final dividend will be payable on Friday, 18 July 2014 and share certificates for the Bonus Shares will be dispatched to the shareholders of the Company on the same day.

Financial Calendar

Interim Results	Announced on Thursday, 22 August 2013
Final Results	Announced on Thursday, 20 March 2014
Annual Report	Posted to Shareholders on Wednesday, 23 April 2014
Closure of Register of Members	(1) To be closed from Thursday, 5 June 2014 to Monday, 9 June 2014 for the purpose of determining Shareholders who are entitled to attend and vote at the Annual General Meeting (2) To be closed from Friday, 13 June 2014 to Tuesday, 17 June 2014 for the purpose of determining Shareholders who qualify for the proposed final dividend (with an option for scrip dividend) and bonus shares
Annual General Meeting	To be held on Monday, 9 June 2014
Dividends – Interim	HK$0.32 per share (with an option for scrip dividend) – paid on Thursday, 17 October 2013
– Final (Proposed)	HK$0.74 per share (with an option for scrip dividend) – payable on Friday, 18 July 2014
– Bonus shares (Proposed)	one bonus share for every ten shares held
Issue of Bonus Shares (Proposed)	Share Certificates to be posted to Shareholders on Friday, 18 July 2014

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Environmentally friendly paper has been used in the production of this annual report.

恒基兆業地產有限公司
HENDERSON LAND DEVELOPMENT COMPANY LIMITED